COMMERZBANK (EURASIJA) SAO

International Financial Reporting Standards
Financial Statements and Auditor's Report

31 December 2014

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

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Independent Auditor's Report

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

We have audited the accompanying financial statements "Commerzbank (Eurasia)" SAO (the "Bank"), which comprise the statement of financial position as at 31 December 2014 and the statements of profit or loss and other comprehensive income, the statement of changes in equity and cash flows for the year 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial 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, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year 2014 in accordance with International Financial Reporting Standards.

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

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

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

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

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

We have identified the following based on our examination:

1) as related to the Bank's compliance with the regulatory ratios set by the Central Bank of Russia:

   as at 1 January 2015 the Bank's regulatory ratios set by the Central Bank of Russia were within the limits set by the Central Bank of Russia.

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

2) as related to the Bank's internal control and risk management systems compliance with the Central Bank of Russia's requirements for such systems:

   a) in accordance with the Central Bank of Russia's requirements and recommendations, as at 1 January 2015 the Bank's units for managing significant risks were not subordinated or accountable to the units assuming corresponding risks;

   b) the Bank's internal documents effective as at 1 January 2015 which set out the techniques to identify and manage significant credit, market (including interest rate) risks, liquidity and operational risks and the techniques to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Central Bank of Russia's requirements and recommendations;

   c) as at 1 January 2015 the Bank had in place a reporting system for significant credit, market (including interest rate) risks, liquidity and operational risks and for the Bank's equity (capital);

   d) the frequency and consistency of reports prepared by the Bank's risk management units and the Bank's internal audit function during 2014 as related to management credit, market (including interest rate) risks, liquidity and operational risks complied with the Bank's internal documents; those reports included observations made by the Bank's risk management units and the Bank's internal audit function as related to the assessment of the effectiveness of the Bank's respective procedures as well as recommendations on their improvement;

e) as at 1 January 2015 the authority of the Supervisory Board of the Bank and its executive bodies included control over the Bank's compliance with risk and equity (capital) adequacy limits set by the Bank's internal documents. To exercise control over the effectiveness of the risk management procedures applied in the Bank and their consistent application in 2014, the Supervisory Board of the Bank and its executive bodies regularly discussed the reports prepared by the Bank's risk management units and the Bank's internal audit function and considered proposed measures to eliminate weaknesses.

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

28 April 2015

Moscow, Russian Federation

E.N. Kriventsev, Director (licence no.01-000198)
ZAO PricewaterhouseCoopers Audit

Audited entity: "Commerzbank (Eurasia)" SAO

State registration certificate № 11590.17, issued on 31 December 1998. Main state registration number: 1027739070259

Certificate of inclusion in the Unified State Register of Legal Entities issued on 28 December 2012 under registration № 77 № 014387286

119017, Moscow, Kadashevskaya nab., 14/2

Independent auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations

In thousands of Russian Roubles	Note	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	7	8 421 574	6 670 336
Mandatory cash balances with CBRF		310 308	321 038
Trading securities		-	1 451 902
Derivative financial assets	24	3 455 307	142 929
Due from other banks	8	27 826 586	14 371 142
Loans and advances to customers	9	27 137 769	17 612 556
Securities available for sale	10	2 703 079	2 505 519
Prepaid income tax		377 863	2 169
Deferred income tax asset	19	-	27 525
Premises and equipment	11	95 636	108 321
Other financial assets		59 498	22 780
Other assets		97 762	94 675
TOTAL ASSETS		**70 485 382**	**43 330 892**
LIABILITIES			
Due to other banks	12	33 904 314	12 384 389
Customer accounts	13	23 741 801	17 897 757
Debt securities in issue		94	428
Financial derivative liabilities	24	542 488	45 754
Provisions for liabilities and charges	14	26 506	118 517
Other financial liabilities		62 273	9 330
Deferred income tax liability	19	396 875	-
Other liabilities		98 558	80 009
TOTAL LIABILITIES		**58 772 909**	**30 536 184**
EQUITY			
Share capital	15	3 827 672	3 827 672
Retained earnings		7 395 792	8 248 938
Revaluation reserve for available-for-sale securities		(235 340)	(6 251)
Other reserves		724 349	724 349
TOTAL EQUITY		**11 712 473**	**12 794 708**
TOTAL LIABILITIES AND EQUITY		**70 485 382**	**43 330 892**

28 April 2015

G. Klekkner
Chairman of the Management Board

A.A. Gorokhovsky
Financial Director

In thousands of Russian Roubles	Note	2014	2013
Interest income	16	1 168 556	811 261
Interest expense	16	(450 297)	(378 348)
Net interest income		**718 259**	**432 913**
Recovery of provision for loan impairment	9, 10	73 470	30 062
Net interest income after recovery of provision for loan impairment		**791 729**	**462 975**
Fee and commission income	17	409 365	372 877
Fee and commission expense	17	(94 809)	(55 966)
Gains less losses from trading securities		(13 002)	6 427
Gains less losses from operations with derivative financial instruments		(5 639 319)	(570 316)
Gains less losses from trading in foreign currencies		19 448	231 628
Foreign exchange translation gains less losses		7 853 650	1 774 732
Gains less losses from disposal of securities available for sale		(57 887)	-
Loss from disposal of loans		-	(5 669)
Other operating income		60 098	72 069
Administrative and other operating expenses	18	(991 683)	(813 743)
Other reserves	14	90 272	(63 592)
Profit before tax		**2 427 862**	**1 411 422**
Income tax expense	19	(509 008)	(295 169)
PROFIT FOR THE YEAR		**1 918 854**	**1 116 253**
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale investments:			
- Gains less losses from revaluation		(343 020)	(7 814)
- Gains less losses recycled to profit or loss upon disposal		57 887	-
Income tax recorded directly in other comprehensive income		56 044	1 563
Total other comprehensive loss for the year		**(229 089)**	**(6 251)**
Total comprehensive income for the year		**1 689 765**	**1 110 002**

In thousands of Russian Roubles	**Share capital**	**Revaluation reserve for available-for-sale securities**	**Retained earnings**	**Other reserves**	**Total equity**
Balance at 1 January 2013	**3 827 672**	**-**	**7 622 605**	**724 349**	**12 174 626**
Profit	-	-	1 116 253	-	1 116 253
Other comprehensive loss	-	(6 251)	-	-	(6 251)
Total comprehensive income for the year	-	**(6 251)**	**1 116 253**	-	**1 110 002**
Dividends declared (Note 20)	-	-	(489 920)	-	(489 920)
Balance at 31 December 2013	**3 827 672**	**(6 251)**	**8 248 938**	**724 349**	**12 794 708**
Profit	-	-	1 918 854	-	1 918 854
Other comprehensive loss	-	(229 089)	-	-	(229 089)
Total comprehensive income for the year	-	**(229 089)**	**1 918 854**	-	**1 689 765**
Dividends declared (Note 20)	-	-	(2 772 000)	-	(2 772 000)
Balance at 31 December 2014	**3 827 672**	**(235 340)**	**7 395 792**	**724 349**	**11 712 473**

In thousands of Russian Roubles	**Note**	**2014**	**2013**
Cash flows from operating activities			
Interest received		1 074 439	766 153
Interest paid		(426 527)	(368 984)
Fees and commissions received		365 426	364 749
Fees and commissions paid		(44 150)	(55 768)
(Expenses paid)/Income received from trading securities		(13 002)	2 470
Expenses paid from operations with financial derivatives		(8 898 346)	(637 697)
Income received from trading in foreign currencies		20 471	231 579
Loss from disposal of loans		-	(5 669)
Other operating income received		57 256	27 171
Staff costs paid		(450 600)	(402 904)
Administrative and other operating expenses paid (less staff costs paid)		(486 348)	(395 407)
Income tax paid		(403 651)	(309 190)
Cash flows from /(used in) operating activities before changes in operating assets and liabilities		**(9 205 032)**	**(783 497)**
Net (increase)/decrease in:			
- mandatory cash balances with CBRF		10 730	(9 881)
- trading securities		1 440 835	1 072 872
- due from other banks		(7 825 642)	5 954 615
- loans and advances to customers		643 511	(6 993 252)
- other assets		(19 506)	37 405
Net increase/(decrease) in:			
- due to other banks		16 781 405	2 668 228
- customer accounts		2 700 531	3 736 170
- debt securities in issue		(392)	(2 048)
- other liabilities		(15 458)	(8 091)
Net cash from operating activities		**4 510 982**	**5 672 521**
Cash flows from investing activities			
Acquisition of securities available for sale		(2 101 707)	(2 457 570)
Disposal of securities available for sale		1 629 264	203
Acquisition of premises and equipment		(12 146)	(64 980)
Proceeds from disposal of premises and equipment		-	669
Net cash used in investing activities		**(484 589)**	**(2 521 678)**
Cash flows from financing activities			
Dividends paid	20	(2 772 000)	(489 920)
Net cash from financing activities		**(2 772 000)**	**(489 920)**
Effect of exchange rate changes on cash and cash equivalents		496 845	77 436
Net increase in cash and cash equivalents		**1 751 238**	**2 738 359**
Cash and cash equivalents at the beginning of the year	7	6 670 336	3 931 977
Cash and cash equivalents at the end of the year	7	**8 421 574**	**6 670 336**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2014 for Commerzbank (Eurasija) SAO (the "Bank").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a closed joint stock company limited by shares and was set up in accordance with Russian regulations. The Bank is a wholly owned subsidiary of Commerzbank AG (Germany). Commerzbank AG and its subsidiaries are referred to in these financial statements as "Commerzbank Group".

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank has been operating in the Russian Federation since 1998. In 2010, as a result of restructuring the Bank received a full banking license issued by the Central Bank of the Russian Federation ("CBRF"). The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand (before 29 December 2014: RR 700 thousand) per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank has one (2013: one) branch in the Russian Federation in the city of Saint Petersburg. The branch services the Bank's clients in this region and provides necessary services within the scope of the transactions conducted by the head office.

Registered address and place of business. The Bank's registered address is: Russian Federation, 119017, Moscow, Kadashevskaya nab. 14/2.

Presentation currency. These financial statements are presented in thousands of Russian Roubles ("RR thousands"), unless otherwise stated.

Securing obligations. The Bank's obligations are secured by comfort letter received from Commerzbank AG (p. 283 of the Annual Report of the Commerzbank Group for 2014): https://www.commerzbank.com/media/aktionaere/service/archive/konzern/2015_2/00_CAA_Geschaeftsbericht_2014_Konzern_EN.pdf

2 Operating Environment of the Bank

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is sensitive to oil and gas prices. The tax, currency and customs regulatory frameworks within the Russian Federation continue to develop and are subject to frequent changes and varying interpretations (Note 23). A fall in oil prices, continuing political tension in the region, as well as international sanctions against Russian companies and individuals had a negative impact on the Russian economy in 2014. As a result, in 2014:

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

Financial markets continue to demonstrate lack of stability, frequent and material change in prices and increased spreads on trade transactions. After 31 December 2014:

- the CBRF exchange rate varied between RR 49.67 to RR 69.66 per USD;
- In 2015, Fitch Ratings downgraded Russia's credit rating to BBB-, Standard & Poor's cut it to BB+, and Moody's Investors Service downgraded it to Ba1, which for the first time in ten years is below

2 Operating Environment of the Bank (Continued)

the investment grade. Fitch Ratings kept Russia's sovereign rating at the investment grade. However, all these rating agencies provided negative outlooks for the future;

- the RTS stock exchange index varied within the range from 737 to 1062 points;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates;
- the key refinancing interest rate of the CB RF decreased from 17.0% p.a. to 14% p.a.

The above events may have a significant impact on the Bank's operations and financial position in future, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Bank's operations may differ from management's current expectations.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 9, 14.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the average of actual trading prices on the reporting date. Prior to 1 January 2013, the quoted market price used for financial assets was the current bid price; the quoted market price for financial liabilities was the current asking price. Refer to Note 5.

3 Summary of Significant Accounting Policies (Continued)

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Bank: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 25.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

3 Summary of Significant Accounting Policies (Continued)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest rate method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

***Initial recognition of financial instruments*.** Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

3 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include interbank placements which can be converted into cash within a day. Restricted funds are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Bank classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within six months. The Bank may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from operations with trading securities in the period in which they arise.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

3 Summary of Significant Accounting Policies (Continued)

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment provision account in profit or loss for the year.

Credit related commitments. The Bank enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

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

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognised in profit or loss for the year.

3 Summary of Significant Accounting Policies (Continued)

Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Premises and equipment are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised, i.e. on the retirement or disposal. If there is no market based evidence of fair value, fair value is estimated using an income approach.

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

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

3 Summary of Significant Accounting Policies (Continued)

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

	Useful lives in years
Leasehold improvements	30
Telecommunication equipment	7-10
Office equipment	2-15
Furniture	5
Computers	2-5
Vehicles	5

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licences, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Capitalised computer software is amortised on a straight line basis over expected useful lives from 5 to 10 years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (as lease expenses) on a straight-line basis over the period of the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Debt securities in issue. Debt securities in issue include promissory notes issued by the Bank. Debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the statement of financial position, and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value. Official exchange rate of the CBRF is used as the spot rate.

3 Summary of Significant Accounting Policies (Continued)

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Bank does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

3 Summary of Significant Accounting Policies (Continued)

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares and discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Additional paid-in capital. Additional paid-in capital represents contributions from the shareholders of the Bank, other than investments in shares of the Bank. These contributions represent non-refundable financial aid from the shareholder.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method includes, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

3 Summary of Significant Accounting Policies (Continued)

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss. All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis.

Foreign currency translation. The Bank's functional currency and the Bank's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

Monetary assets and liabilities are translated into functional currency at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity instruments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2014 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 56.2584 (2013: USD 1 = RR 32.7292) and EUR 1 = RR 68.3427 (2013: EUR 1 = RR 44.9699).

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, the Bank provides analysis of assets and liabilities by expected maturities in Note 21.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances and due from other banks. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 5% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 2 649 thousand (2013: RR 6 323 thousand). For information on the provision for credit related commitments also refer to Note 14.

Fair value of financial instruments. The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. If fair value is determined by using valuation techniques (e.g. models), they are approved and regularly reviewed by qualified employees independent from the department where the technique was developed. Each model is subject to mandatory certification before it is available for use, also the models are adjusted to ensure that the results reflect actual data and comparative market prices. To the extent practical, models use only publicly accessible data, however areas such as credit risk (own and counterparty), volatilities and correlations require management estimates. Changes in assumptions about these factors could affect the reported fair values. Refer to Note 25.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 27.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Bank from 1 January 2014:

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances:(i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the Bank.

"Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have a material impact on the Bank.

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Bank.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have a material impact on the Bank.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have a material impact on the Bank.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Bank has not early adopted:

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

6 New Accounting Pronouncements (Continued)

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Bank is currently assessing the impact of the new standard on its financial statements.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the Bank's financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

6 New Accounting Pronouncements (Continued)

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The Bank is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Bank is currently assessing the impact of the amendments on its financial statements.

IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. Description of the impact is only applicable in a first-time adopter's first financial statements under IFRS.

6 New Accounting Pronouncements (Continued)

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment is not expected to have any material impact on the Bank's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Bank is currently assessing the impact of the amendments on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendment is not expected to have any material impact on the Bank's financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not expected to have any material impact on the Bank's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The amendment is not expected to have any material impact on the Bank's financial statements.

6 New Accounting Pronouncements (Continued)

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Bank is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods beginning on 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Bank is currently assessing the impact of the amendments on its financial statements.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in August 2014 and effective for annual periods beginning on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The amendment is not expected to have any material impact on the Bank's financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	2014	2013
Neither past due nor impaired		
Cash on hand	60 193	22 234
Cash balances with the CBRF (other than mandatory reserve deposits)	5 664 974	4 406 718
Correspondent accounts and overnight placements with other banks		
- Internal financial rating 1.0 – 2.0	2 116 607	1 814 587
- Internal financial rating 2.1 – 4.0	31 513	28 480
- Internal financial rating 4.1 – 7.0	1 476	5 567
Balances on settlement accounts with trading systems	546 811	392 750
Total cash and cash equivalents	**8 421 574**	**6 670 336**

Detailed description of internal rating methodology is disclosed in Note 21. Cash and cash equivalents are not collateralised. Interest rate analysis of cash and cash equivalents is disclosed in Note 21. The information on related party transactions is disclosed in Note 27.

8 Due from Other Banks

In thousands of Russian Roubles	2014	2013
Term placements with Commerzbank AG	12 487 683	9 982 406
Term placements with CBRF	14 000 000	4 000 000
Term placements with other banks	1 344 968	359 671
Individually impaired deposits with other banks	-	126 223
Less: provision for impairment	(6 065)	(97 158)
Total due from other banks	**27 826 586**	**14 371 142**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2014 is presented below. Detailed description of internal rating methodology is disclosed in Note 21.

In thousands of Russian Roubles	2014	2013
Neither past due nor impaired		
- Internal financial rating 1.0 – 2.0	13 191 103	9 982 406
- Internal financial rating 2.1 – 4.0	14 421 596	4 321 504
- Internal financial rating 4.1 – 7.0	219 952	38 167
Balances individually determined to be impaired (gross amount)		
- restructured	-	126 223
Less: provision for impairment	(6 065)	(97 158)
Total due from other banks	**27 826 586**	**14 371 142**

Amounts due from other banks are not collateralised.

The primary factor that the Bank considers in determining whether amounts due from other banks are impaired is their overdue status. Restructured balances represent the balances that would otherwise be past due whose terms have been renegotiated.

8 Due from Other Banks (Continued)

Movements in the provision for impairment of due from other banks are as follows:

In thousands of Russian Roubles	2014	2013
Provision for impairment at 1 January	**97 158**	**144 394**
Recovery of provision for impairment during the year	(91 093)	(47 236)
Provision for impairment at 31 December	**6 065**	**97 158**

Refer to Note 25 for the estimated fair value of each class of amounts due from other banks. Interest rate and maturity analyses of due from other banks are disclosed in Note 21. Information on related party balances is disclosed in Note 27.

9 Loans and Advances to Customers

In thousands of Russian Roubles	2014	2013
Neither past due nor impaired loans	27 115 108	17 592 557
Loans overdue for less than 30 days but not impaired	-	49 291
Individually impaired loans overdue from181 to 365 days	69 576	-
Provision for loan impairment	(46 915)	(29 292)
Total loans and advances to customers	**27 137 769**	**17 612 556**

Movements in the provision for loan impairment during 2014 are as follows:

In thousands of Russian Roubles	2014	2013
Provision for loan impairment at 1 January	**29 292**	**12 118**
Provision for impairment during the year	17 623	17 174
Provision for loan impairment at 31 December	**46 915**	**29 292**

Economic sector risk concentration within the customer loan portfolio is as follows:

	2014		2013	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Manufacturing	13 857 282	51	6 375 709	36
Metallurgy and metals trade	5 975 836	22	5 283 434	30
Mining	2 674 628	10	847 102	5
Leasing	2 283 512	8	1 032 765	6
Trade	1 051 731	4	2 780 710	16
Food industry	905 200	3	963 249	5
Other	436 495	2	358 879	2
Total loans and advances to customers (before impairment)	**27 184 684**	**100**	**17 641 848**	**100**

9 Loans and Advances to Customers (Continued)

At 31 December 2014, the Bank had 14 borrowers (2013: 10 borrowers) with aggregated loan amounts above RR 600 000 thousand. The total aggregate amount of these loans was RR 24 026 843 thousand (2013: RR 14 821 787 thousand), or 88% of the gross loan portfolio (2013: 84%).

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Loans and advances to customers before provision for loan impairment**	**Provision for loan impairment**	**Total loans and advances to customers**
Neither past due nor impaired			
- Borrowers with credit history over two years	23 200 110	(33 540)	23 166 570
- New borrowers	3 914 998	(1 485)	3 913 513
Individually impaired			
- Borrowers with credit history over two years	69 576	(11 890)	57 686
Total	**27 184 684**	**(46 915)**	**27 137 769**

Analysis by credit quality of loans outstanding at 31 December 2013 is as follows:

In thousands of Russian Roubles	**Loans and advances to customers before provision for loan impairment**	**Provision for loan impairment**	**Total loans and advances to customers**
Neither past due nor impaired			
- Borrowers with credit history over two years	14 384 578	(26 084)	14 358 494
- New borrowers	3 207 979	(2 879)	3 205 100
Past due but not impaired			
- Borrowers with credit history over two years	40 391	(329)	40 062
- New borrowers	8 900	-	8 900
Total	**17 641 848**	**(29 292)**	**17 612 556**

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, Financial Instruments: Recognition and Measurement, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any.

9 Loans and Advances to Customers (Continued)

Analysis of credit quality by financial ratings as at 31 December 2014 is presented in the table below. Detailed description of internal rating methodology is presented in Note 21.

In thousands of Russian Roubles	Loans and advances to customers before provision for loan impairment	Provision for loan impairment	Total loans and advances to customers
Neither past due nor impaired			
- Internal financial rating 1.0 – 2.0	145 680	(205)	145 475
- Internal financial rating 2.1 – 4.0	26 969 421	(34 820)	26 934 601
- Internal financial rating 4.1 – 7.0	7	-	7
Total neither past due nor impaired	**27 115 108**	**(35 025)**	**27 080 083**
Individually impaired			
- Internal financial rating 4.1 – 7.0	69 576	(11 890)	57 686
Total individually impaired	**69 576**	**(11 890)**	**57 686**
Total	**27 184 684**	**(46 915)**	**27 137 769**

Analysis of credit quality by financial ratings as at 31 December 2013 is presented in the table below.

In thousands of Russian Roubles	Loans and advances to customers before provision for loan impairment	Provision for loan impairment	Total loans and advances to customers
Neither past due nor impaired			
- Internal financial rating 1.0 – 2.0	37 338	(166)	37 172
- Internal financial rating 2.1 – 4.0	17 512 592	(28 793)	17 483 799
- Internal financial rating 4.1 – 7.0	42 627	(4)	42 623
Total neither past due nor impaired	**17 592 557**	**(28 963)**	**17 563 594**
Past due but not impaired			
- Internal financial rating 2.1 – 4.0	40 391	(329)	40 062
- Internal financial rating 4.1 – 7.0	8 900	-	8 900
Total past due but not impaired	**49 291**	**(329)**	**48 962**
Total	**17 641 848**	**(29 292)**	**17 612 556**

9 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2014 and 2013 is as follows:

In thousands of Russian Roubles	**2014**	**2013**
Unsecured loans	11 257 397	11 111 516
Loans guaranteed by other banks	12 973 374	5 536 179
Loans collateralised by:		
- cash deposits	2 700 592	844 522
- other assets	206 406	120 339
Total loans and advances to customers	**27 137 769**	**17 612 556**

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

At 31 December 2014, individually impaired loans are collateralised by equipment in the amount of RR 97 384 thousand and by real estate in the amount of RR 48 257 thousand.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2014:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of Russian Roubles	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Loans and advances to customers	5 742 816	6 983 256	21 394 953	9 995 599

The effect of collateral at 31 December 2013:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of Russian Roubles	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Loans and advances to customers	5 625 323	6 175 513	11 987 233	874 491

Refer to Note 25 for the fair value measurement of loans and advances to customers. Interest rate and maturity analyses of loans and advances to customers are disclosed in Note 21. The information on related party transactions is disclosed in Note 27.

10 Securities Available for Sale

In thousands of Russian Roubles	**2014**	**2013**
Neither past due nor impaired		
Russian government bonds		
- internal financial rating 2.1 – 4.0	2 703 079	2 505 519
Total securities available for sale	**2 703 079**	**2 505 519**

Russian government bonds are denominated in Russian Roubles and are not collateralised. The movements in securities available for sale are as follows:

In thousands of Russian Roubles	**2014**	**2013**
Carrying amount at 1 January	**2 505 519**	**-**
Mark to market	(343 020)	(7 814)
Interest income accrued	195 260	54 804
Interest received	(185 010)	(10 726)
Purchases	2 101 707	2 469 458
Disposal and redemption	(1 571 377)	(203)
Carrying amount at 31 December	**2 703 079**	**2 505 519**

Interest rate analysis of investment securities available for sale is disclosed in Note 21.

11 Premises and Equipment

In thousands of Russian Roubles	**Note**	**Leasehold improvements**	**Office and computer equipment and other**	**Total**
Cost at 1 January 2013		50 930	197 550	248 480
Accumulated depreciation		(8 498)	(178 725)	(187 223)
Carrying amount at 1 January 2013		**42 432**	**18 825**	**61 257**
Additions		-	64 980	64 980
Disposals (at cost)		-	(3 029)	(3 029)
Disposals (accumulated depreciation)		-	2 444	2 444
Depreciation charge	18	(1 693)	(15 638)	(17 331)
Carrying amount at 31 December 2013		**40 739**	**67 582**	**108 321**
Cost at 31 December 2013		50 930	259 501	310 431
Accumulated depreciation		(10 191)	(191 919)	(202 110)
Carrying amount at 1 January 2014		**40 739**	**67 582**	**108 321**
Additions		-	12 146	12 146
Disposals (at cost)		-	(34 470)	(34 470)
Disposals (accumulated depreciation)		-	34 054	34 054
Depreciation charge	18	(1 693)	(22 722)	(24 415)
Carrying amount at 31 December 2014		**39 046**	**56 590**	**95 636**
Cost at 31 December 2014		50 930	237 177	288 107
Accumulated depreciation		(11 884)	(180 587)	(192 471)

12 Due to Other Banks

In thousands of Russian Roubles	**2014**	**2013**
Correspondent accounts and overnight placements of banks		
- Commerzbank Group banks	1 895 762	6 787 559
- other banks	-	1 000 000
Term deposits of banks		
- Commerzbank Group banks	30 545 760	4 596 830
- other banks	1 462 792	-
Total due to other banks	**33 904 314**	**12 384 389**

Refer to Note 25 for the disclosure of the fair value of due to other banks. The interest rate and maturity analyses of due to other banks are disclosed in Note 21. The information on related party transactions is disclosed in Note 27.

13 Customer Accounts

In thousands of Russian Roubles	2014	2013
Legal entities		
- Current/settlement accounts	10 901 102	7 506 684
- Term deposits	12 832 178	10 370 765
Individuals		
- Current/demand accounts	8 521	18 545
- Term deposits	-	1 763
Total customer accounts	**23 741 801**	**17 897 757**

Economic sector concentrations within customer accounts are as follows:

	2014		2013	
In thousands of Russian Roubles	Amount	%	Amount	%
Trade	12 352 755	52	7 625 676	43
Manufacturing	8 168 132	34	7 701 145	43
Financial services	1 647 948	7	1 016 544	6
Construction	473 584	2	356 868	2
Transport	366,057	2	614 383	3
Individuals	8 521	0	20 308	0
Other	724 804	3	562 833	3
Total customer accounts	**23 741 801**	**100**	**17 897 757**	**100**

At 31 December 2014, the Bank had 35 customers (2013: 31 customers) with balances above RR 100 000 thousand. The aggregate balance of these customers was RR 19 508 297 thousand (2013: RR 13 928 023 thousand), or 82% (2013: 78%) of total customer accounts.

Refer to Note 25 for the disclosure of the fair value of each class of customer accounts. The interest rate and maturity analyses of customer accounts are disclosed in Note 21. The information on related party transactions is disclosed in Note 27.

14 Provisions for Liabilities and Charges

In thousands of Russian Roubles	Provision for tax risks (Note 23)	Provision for credit related commitments (Note 23)	Provision for restructuring expenses	Total
Carrying amount at 1 January 2013	**57 369**	**52 583**	**2 380**	**112 332**
Changes charged to profit or loss within other provisions	(1 800)	57 563	7 829	63,592
Utilisation of provision	(55 569)	-	(1 838)	(57 407)
Carrying amount at 1 January 2014	**-**	**110 146**	**8 371**	**118 517**
Changes charged to profit or loss within other provisions	-	(85 182)	(5 090)	(90 272)
Utilisation of provision	-	-	(1 739)	(1 739)
Carrying amount at 31 December 2014	**-**	**24 964**	**1 542**	**26 506**

In 2013, provision for credit related commitments is related primarily to an irrevocable commitment to provide cash to a credit institution in the process of financial recovery from default.

15 Share Capital

In thousands of Russian Roubles except for number of shares	**Number of outstanding shares**	**Share capital**	**Share premium**	**Total**
At 1 January 2013, 31 December 2013 and 31 December 2014	**43 112**	**2 535 833**	**1 291 839**	**3 827 672**

The above amounts are adjusted for the hyperinflation during the period before 1 January 2003.

Share capital of the Bank is represented by ordinary shares. On 31 December 2014 and 2013, all of the Bank's outstanding ordinary shares were fully paid in. All ordinary shares have a nominal value of RR 50 thousand per share (2013: RR 50 thousand per share) and rank equally. Each share carries one vote.

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

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

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

16 Interest Income and Expense

In thousands of Russian Roubles	**2014**	**2013**
Interest income		
Loans and advances to customers	715 362	515 886
Due from other banks	229 362	87 069
Securities available for sale	195 260	54 804
Debt trading securities	28 572	153 502
Total interest income	**1 168 556**	**811 261**
Interest expense		
Term deposits of customers	362 456	274 867
Term deposits of banks	87 841	103 481
Total interest expense	**450 297**	**378 348**
Net interest income	**718 259**	**432 913**

17 Fee and Commission Income and Expense

In thousands of Russian Roubles	2014	2013
Fee and commission income		
Acting as currency control agent	106 633	112 466
Letters of credit	106 580	98 109
Settlement transactions	104 769	86 948
Guarantees issued	76 282	61 098
Cash transactions	2 378	2 398
Other	12 723	11 858
Total fee and commission income	**409 365**	**372 877**
Fee and commission expense		
Letters of credit	51 257	19 129
Guarantees received	24 577	18 877
Settlement transactions	11 346	7 938
Transactions with securities and foreign currencies	6 769	9 444
Other	860	578
Total fee and commission expense	**94 809**	**55 966**
Net fee and commission income	**314 556**	**316 911**

18 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2014	2013
Staff costs		463 338	405 809
Operating lease expense for premises and equipment		163 206	142 345
Expenses on services provided by Commerzbank AG	27	153 976	103 197
Other costs of premises and equipment		45 203	33 821
Telecommunications		40 893	35 640
Professional services		32 480	24 803
Depreciation of premises and equipment	12	24 415	17 331
Business trip expenses		14 485	10 832
Taxes other than on income		11 400	10 715
Entertainment expenses		3 161	4 041
Information services		1 250	1 313
Other		37 876	23 896
Total administrative and other operating expenses		**991 683**	**813 743**

Included in staff costs are statutory social insurance contributions of RR 56 950 thousand (2013: RR 51 066 thousand).

19 Income Taxes

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Russian Roubles	**2014**	**2013**
Current tax	28 564	316 374
Deferred tax	480 444	(21 205)
Income tax expense for the year	**509 008**	**295 169**

The income tax rate applicable to the majority of the Bank's 2014 income is 20% (2013: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	**2014**	**2013**
Profit before tax	**2 427 862**	**1 411 422**
Theoretical tax charge at statutory rate (2014 – 2013: 20%)	485 572	282 284
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible administrative and other operating expenses	25 607	18 270
- Impact of change in assessment of differences not recognised earlier	7 350	-
- Income on government securities taxed at different rates	(9 521)	(5 385)
Income tax expense for the year	**509 008**	**295 169**

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2013: 20%).

19 Income Taxes (Continued)

In thousands of Russian Roubles	1 January 2014	Credited/ (charged) to profit or loss	Credited directly to equity	31 December 2014
Tax effect of deductible/(taxable) temporary differences				
Tax loss carried forward	-	126 148	-	126 148
Provision for impairment of due from other banks	11 861	(11 525)	-	336
Loans and advances to customers	9 855	(305)	-	9 550
Provision for loan impairment	(771)	(14 191)	-	(14 962)
Accrued administrative and other operating expenses	13 873	12 762	-	26 635
Revaluation of derivative financial instruments at fair value	(19 435)	(563 128)	-	(582 563)
Securities available for sale	1 563	-	56 044	57 607
Premises and equipment	(9 363)	(5 847)	-	(15 210)
Accrued fee and commission income	(3 761)	(5 956)	-	(9 717)
Provisions for liabilities and charges	23 703	(18 402)	-	5 301
Net deferred tax asset / (liability)	**27 525**	**(480 444)**	**56 044**	**(396 875)**
Recognised deferred tax asset / (liability)	**27 525**	**(480 444)**	**56 044**	**(396 875)**

In thousands of Russian Roubles	1 January 2013	Credited/ (charged) to profit or loss	Credited directly to equity	31 December 2013
Tax effect of deductible/(taxable) temporary differences				
Provision for impairment of due from other banks	(11 047)	22 908	-	11 861
Loans and advances to customers	(17 497)	27 352	-	9 855
Provision for loan impairment	(1 732)	961	-	(771)
Fair valuation of trading securities	791	(791)	-	-
Accrued administrative and other operating expenses	13 301	572	-	13 873
Revaluation of derivative financial instruments at fair value	(5 958)	(13 477)	-	(19 435)
Securities available for sale	-	-	1 563	1 563
Premises and equipment	(8 276)	(1 087)	-	(9 363)
Due to other banks	26 233	(26 233)	-	-
Accrued fee and commission income	(2 051)	(1 710)	-	(3 761)
Provisions for liabilities and charges	10 993	12 710	-	23 703
Net deferred tax asset	**4 757**	**21 205**	**1 563**	**27 525**
Recognised deferred tax asset	**4 757**	**21 205**	**1 563**	**27 525**

20 Dividends

In thousands of Russian Roubles	2014	2013
Dividends payable at 1 January	-	-
Dividends declared during the year	2 772 000	489 920
Dividends paid during the year	(2 772 000)	(489 920)
Dividends payable at 31 December	**-**	**-**
Dividends per share declared during the year	**64**	**11**

All dividends are declared and paid in Russian Roubles.

21 Financial Risk Management

Risk management objectives, policies and procedures. The risk management function within the Bank is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objective of the financial risk management function is to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

According to Basel II requirements, which are binding for all European credit institutions, Commerzbank Group, of which the Bank is a subsidiary, adopts and implements a business and a corresponding risk strategy, which addresses all major economic risks. Basel II accord allows to choose between a series of simple ("foundation") and more sophisticated ("advanced") approaches to risk measurement, specifically rewarding the banks for measuring risks more stringently and more precisely in the form of lower capital charge. Commerzbank Group adopted the advanced approach to risk measurement.

The quantification of economic risks on Commerzbank Group level is the aim of economic capital model. Its foundation is the delineation of different risk types, risk quantification schemes for the various risk types and integration of all risks into a group-wide risk capital number. The aggregation of risks to Commerzbank Group level is closely connected to the allocation of total risk back to risk types and business units, respectively. Economic capital allocation is an essential part of economic capital model.

Economic capital is a risk measure with a single risk horizon (12 months) and confidence level (99.95%), generally applicable to all risk types. Economic capital model takes into consideration market, operational, credit and business risks. For market risk management (measurement, limit setting and control) the Bank is using Value at Risk (VaR) model with a lower confidence level (97.50%) which produces numbers less sensitive to data input and therefore more suitable for practical risk management rather than just assessing economic capital adequacy.

The risk control/management framework and all internal policies, guidelines and methodologies are set up on Commerzbank Group level and are binding for all entities of the Commerzbank Group, 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 Committee of the Supervisory Board and to the Board of Managing Directors on the Group's overall risk situation. He is also in charge of credit line function units throughout the Group.

Five separate departments are in charge of risk control and risk management: Group Credit Risk Management Core (GRM-CRC), Group Credit Risk Management Non Core (GRM-CRN), Group Market Risk Management (GRM-MR), Group Risk Controlling and Capital Management (GRM-CC), Group Intensive Care (GRM-IC). In parallel the Bank has operational risk management committees at the Group level: Credit Risk Committee of the Supervisory Board whose permanent members represent individual risk management committees, Credit Risk Committee, Market Risk Committee, Operational Risk Committee, Strategic Risk Committee, Segment Market Risk Committee. Chief Risk Officer acts as a chairman of all five committees and holds the veto power. Moreover, there is the Committee for Asset and Liability Management responsible for the portfolio of the Commerzbank Group's assets as a whole, calculation of economic capital and risk-weighted capital.

The Bank distinguishes between quantifiable and unquantifiable risks. Quantifiable risks are part of Commerzbank Group overall risk strategy and economic capital approach. Quantifiable risks include: credit risk, market risk, interest rate risk, operational risk, liquidity risk and business risk. Unquantifiable risks are subject to qualitative monitoring and include: strategic risk, compliance risk, human resources risk, reputational risk, Information Technology risk, process and organizational risk.

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

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

21 Financial Risk Management (Continued)

The responsibility for credit risk management at Group level lies with GRM-CRC Department. Local credit offices 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 Commerzbank Group bodies starting from regional board level up to the Board of Managing Directors depending on lending amounts and borrower's internal ratings. The individual lending authority delegated to the Bank based on Group Credit Guidelines is limited by EUR 50 million for borrowers rated 1.0 – 2.8, (2013: EUR 50 million for borrowers rated 1.0 – 2.8) and by EUR 20 million for borrowers rated at 2.8-3.8 (2013: EUR 20 million for borrowers rated 2.8-3.8) and by decreasing scale factor to lower rated borrowers.

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

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

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

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

The correlation between internal financial ratings and comparable Standard&Poor's ratings, if any, is presented below:

Internal financial rating	1.0-1.2	1.4	1.6	1.8	2.0	2.2	2.4	2.6	2.8
S&P equivalent	AAA	AA+	AA,AA-	A+,A	A-	BBB+	BBB	BBB	BBB-

Internal financial rating	3.0	3.2-3.4	3.6	3.8-4.0	4.2-4.6	4.8-5.0	5.2-5.4	5.6-5.8	>6
S&P equivalent	BB+	BB	BB-	B+	B	B-	CCC+	CCC,CC-	C,D

Direct reconciliation between the ratings is not possible, in particular, due to the fact that external ratings typically try to predict the expected behaviour of companies over the full period of the economic cycle, while Commerzbank Group uses point-in-time rating model, where the rating reflects current creditworthiness in terms of default probability for the next year.

Exposure at default (EAD) and loss given default (LGD) provide the necessary information on the amount of possible loss. EAD is an estimate for the outstanding debt at the day of default and takes into account undrawn credit lines and contingent liabilities. LGD reflects the amount of loss at default in percentage. Collateral and other potential sources of repayment are taken into account for calculation of this indicator.

21 Financial Risk Management (Continued)

Default probability and expected loss cover the expected credit defaults. Unexpected losses are assessed by means of Credit VaR (CVaR). CVaR represents the credit loss which will not be exceeded in excess of the expected credit loss with a probability 0.05%. Potential losses are forecasted with a one year time horizon. CVaR is a pure default model, which means that potential effects on revenues resulting from changes in rating are not directly part of the model. This downside potential is modelled via maturity adjustments. Credit risk arises from any transaction with an external counterparty where positive cash flows are outstanding. The cornerstones of credit risk are the probability of default and loss at default, the latter being an estimation of the actual amount lost in case of default. Loss at default is calculated as estimated exposure at default (including assumptions on drawing of open credit lines) minus collateral and existing loan loss provisions, multiplied by (1-recovery rate). The model takes into account concentration risks and diversification effects. Large exposures and transactions in industry sectors with high exposure concentration are penalized by higher charges. CVaR is calculated on a monthly basis.

Credit portfolio is divided into significant and non-significant exposures. There are four different categories of loan loss provision (LLP): specific loan loss provision, portfolio loan loss provision impaired and non-impaired and general loan loss provision. Portfolio loan loss provision is created for non-significant loans, general and specific provisions are created for significant exposures.

Specific LLP is determined by the unsecured part of the exposure and the assessment of the individual borrower's ability to pay, thus specific LLP takes into account expected cash flows from collaterals and repayments. Expected cash flows are discounted to present value, and the difference between present value and book value represents the amount of specific LLP.

General LLP and portfolio LLP non-impaired are formed for latent risks in the performing loan book. They cover acute credit risks that exist but are not transparent. The only difference between these two provision types is the significance of the credit exposure which they cover. The calculation of these provisions is based on Basel II requirements and identification of expected loss (EL) and loss identification period factor (LIP-factor). The "expected loss model" differs from the "incurred loss model" provided for by IAS 39 and is more conservative.

Portfolio LLP impaired is calculated in a similar way. As the exposure is classified as default, probability of default equals 1 and LIP-factor is not used as the default has already been detected.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank applies the same credit policies to contingencies as it does for on-balance sheet financial instruments based on established credit approvals, risk control limits and monitoring procedures. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 26.

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

The Board of Managing Directors for Commerzbank Group has delegated most market risk management functions at Group level to the Group Market Risk Committee (GMRC). In parallel, the Segment Market Risk Committee (SMRC) was created, which is responsible for risk management at segment level. SMRC reports to GMRC on all issues within its competence.

21 Financial Risk Management (Continued)

Market risk is mainly associated with transactions performed by the following two departments (segments): the Department for Financial Market Operations and the Treasury Department. The Department for Financial Market Operations is in charge of all investment banking products for private and corporate clients. The Department's operations are based on clients' needs and aimed at maximising profits with the acceptable risk level across the entire product line. The Treasury is in charge of managing interest rate and liquidity positions. The Department for Financial Market Operations is in charge of managing open currency position. Market risk can also arise from other departments' activities, for example, the Corporate Business Department.

Market risk is monitored by special GRM-MR divisions on a daily basis. Market risk is managed by means of a sophisticated system of limits combined with reliable and optimized methods for measuring and monitoring risk. The methodological competence lies within GRM-MR. The Bank uses economic capital and business expectations in establishing its market risk limits, creating a risk/return-based steering of market risk. This approach is used both on Group level and locally. Market risk is monitored at the level of the Group companies and at local level. To monitor and manage market risk, the Bank uses certain qualitative and quantitative indicators. Qualitative indicators are set by the Market Risk Committee at Group level. Quantitative indicators, including sensitivity, Value at Risk, stress testing under various scenarios, capital adequacy ratios and other are calculated on a daily basis. Independent GRM-MR divisions: the Department for Financial Market Operations and the Treasury Department monitor compliance with risk limits on a daily basis for each segment and by portfolio. Reports on market risks are submitted to the members of the Management Board and to Department Heads.

Market risk components include: general market risk (risk arising from changes in overall level of interest rates, foreign exchange rates, indices and corresponding volatilities), specific market risk (includes all further market risks: risks coming from changes in specific instruments and the risks arising from extraordinary market movements of specific financial entities). Market risk is assessed using Value at Risk (VaR) modelling. VaR approach covers market risk under normal market conditions (1 year historical simulation).

VaR is a statistical approach to estimate a loss that may occur over a given period of time with a given probability. The Bank applies 1-day holding period and a 97.5% confidence level to VaR calculation. The monitoring of market risk covers both general and specific market risks. General market risk is calculated by means of historical simulation. The latest 255 days are taken into account to estimate profit/loss distribution of any given portfolio. 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 capital requirements. Reliability of this model is regularly checked by back-testing. The responsibility for changing the parameters of the model is assigned to GRM-MR under agreement with front office. Major changes require approval of the Board of Directors of Commerzbank Group. Implementation of new regulatory requirements based upon Basel II.5 and Basel III require continuous improvement of the parameters of the model. Thus, new parameters were added to the model enabling calculation of market risk in stress situations (Stressed VaR) and taking into account Incremental Risk Share.

VaR model is based on historical data, thus its forecasting capability is limited. In order to assess and continuously improve the forecasting quality of VaR model, the accuracy of the model is validated on a daily basis. 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 GRM-MR, including those for reviewing the reliability of results obtained on the basis of VaR. Additionally, the internal model enables calculation of stressed VaR; these ratios are not used for calculation of regulatory capital but are used only for the purposes of operating risk level monitoring.

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

21 Financial Risk Management (Continued)

Market risk exposure of the Bank as at 31 December 2014 as measured by VaR is presented in the table below.

In thousands of Russian Roubles		**Treasury Department**		
Portfolio	**Interest rate**	**Credit spread**	**Foreign currency**	**Total**
Trading book	55 973	-	43 671	75 109
Banking book	55 153	9 773	25 902	50 847

In thousands of Russian Roubles		**Department for Financial Market Operations**		
Portfolio	**Interest rate**	**Credit spread**	**Foreign currency**	**Total**
Trading book	1 299	-	1 230	1 845

Market risk exposure of the Bank as at 31 December 2013 as measured by VaR is presented in the table below.

In thousands of Russian Roubles		**Treasury Department**		
Portfolio	**Interest rate**	**Credit spread**	**Foreign currency**	**Total**
Trading book	5 481	3 861	6 423	6 903
Banking book	1 612	28	13 323	14 532

In thousands of Russian Roubles		**Department for Financial Market Operations**		
Portfolio	**Interest rate**	**Credit spread**	**Foreign currency**	**Total**
Trading book	67	-	4 698	3 891

21 Financial Risk Management (Continued)

Currency risk. The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In addition to monitoring Value at Risk as described above, the Management Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk in respect of financial assets, liabilities and off-balance sheet notional position as at 31 December 2014:

In thousands of Russian Roubles	RR	US Dollars	Euros	Other	Total
Financial assets	28 886 974	25 551 226	11 979 908	40 706	66 458 814
Financial liabilities	(21 695 069)	(25 494 127)	(10 517 278)	(2 008)	(57 708 482)
Derivative financial instruments (Note 24)	4 142 557	(136 303)	(1 093 435)	-	2 912 819
Net position	**11 334 462**	**(79 204)**	**369 195**	**38 698**	**11 663 151**

At 31 December 2013:

In thousands of Russian Roubles	RR	US Dollars	Euros	Other	Total
Financial assets	16 306 060	20 664 118	5 858 150	126 945	42 955 273
Financial liabilities	(18 567 181)	(5 790 372)	(5 840 687)	(93 664)	(30 291 904)
Derivative financial instruments (Note 24)	15 406 990	(15 187 928)	(121 887)	-	97 175
Net position	**13 145 869**	**(314 182)**	**(104 424)**	**33 281**	**12 760 544**

The currency derivatives position in each column represents the fair value, at the end of the reporting period, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount). The amounts by currency are presented gross. The net total represents fair value of the derivatives.

The Bank has extended loans and advances denominated in foreign currencies. Movements in foreign exchange rates affect the borrowers' repayment ability and incurrence of loan losses.

In addition to the above monitoring of the VaR, the Bank's Management Board sets limits on the level of exposure by currency and in total for both limits by the end of each day, and within one day, taking into account the requirements of the Instruction №124-I of the CBRF. Compliance with these limits is monitored on a daily basis.

Sensitivity of the Bank's net assets to an increase in the foreign currency exchange rates by 30% (2013: 20%) is presented in the table below. The sensitivity is calculated based on the values of open currency positions determined by the method specified in the CBRF instructions (report form 0409634).

In thousands of Russian Roubles	2014	2013
US Dollars	154 530	(8 800)
Euros	62 790	(32 460)
Other currencies in aggregate	11 610	6 660

21 Financial Risk Management (Continued)

Interest rate risk. 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 in statement of financial position transactions represent the most important source of this risk.

The table below summarises the Bank's exposure to interest rate risks as at 31 December 2014. Included in the table are the Bank's main interest-bearing financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Financial assets					
Due from other banks	26 244 711	46 142	425 951	1 109 782	27 826 586
Loans and advances to customers	17 987 817	4 554 294	237 729	4 357 929	27 137 769
Securities available for sale	-	179 505	807 588	1 715 986	2 703 079
Total principal interest-bearing financial assets	**44 232 528**	**4 779 941**	**1 471 268**	**7 183 697**	**57 667 434**
Financial liabilities					
Due to other banks	20 269 649	10 960 037	-	2 674 628	33 904 314
Customer accounts	22 387 351	1 348 641	5 809	-	23 741 801
Debt securities in issue	-	94	-	-	94
Total principal interest bearing financial liabilities	**42 657 000**	**12 308 772**	**5 809**	**2 674 628**	**57 646 209**
Net interest sensitivity gap at 31 December 2014	**1 575 528**	**(7 528 831)**	**1 465 459**	**4 509 069**	**21 225**

21 Financial Risk Management (Continued)

The table below summarises the Bank's exposure to interest rate risks as at 31 December 2013.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Financial assets					
Trading securities	1 374 088	77 814	-	-	1 451 902
Due from other banks	14 056 116	38 156	-	276 870	14 371 142
Loans and advances to customers	11 834 724	3 519 655	370 274	1 887 903	17 612 556
Securities available for sale	-	339 338	840 987	1 325 194	2 505 519
Total principal interest-bearing financial assets	**27 264 928**	**3 974 963**	**1 211 261**	**3 489 967**	**35 941 119**
Financial liabilities					
Due to other banks	11 537 287	146 623	-	700 479	12 384 389
Customer accounts	15 227 212	885 747	3 822	1 780 976	17 897 757
Debt securities in issue	-	-	367	61	428
Total principal interest bearing financial liabilities	**26 764 499**	**1 032 370**	**4 189**	**2 481 516**	**30 282 574**
Net interest sensitivity gap at 31 December 2013	**500 429**	**2 942 593**	**1 207 072**	**1 008 451**	**5 658 545**

All of the Bank's interest bearing financial assets and liabilities reprice within 5 years (2013: all reprice within 5 years).

The Bank is exposed to cash flow interest rate risk, principally through assets and liabilities for which interest rates are reset as market rates change. Such assets and liabilities are primarily presented in the above table as being repriced in the short-term. The Bank is exposed to fair value interest rate risk as a result of assets and liabilities at fixed interest rates. Such assets and liabilities are primarily presented in the above table as being repriced in the long-term. In practice, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Bank monitors on a daily basis the level of mismatch of interest rate repricing that may be undertaken. In the absence of any available hedging instruments the Bank normally seeks to match its interest rate positions.

The table below summarises the effective interest rates by major currencies for major debt instruments. The analysis has been prepared based on year-end effective rates used for amortisation of the respective assets/liabilities.

21 Financial Risk Management (Continued)

	2014			2013		
In % p.a.	**RR**	**US Dollars**	**Euros**	**RR**	**US Dollars**	**Euros**
Financial assets						
Cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0
Mandatory cash balances with CBRF	0.0	-	-	0.0	-	-
Trading securities	-	-	-	6.8	-	-
Due from other banks	15.8	0.2	1.8	4.4	0.8	-
Loans and advances to customers	11.1	2.3	1.8	8.5	2.8	2.2
Securities available for sale	6.8	-	-	6.8	-	-
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities						
Due to banks within Commerzbank Group	11.8	0.4	0.1	0.1	0.9	0.1
Due to other banks	23.0	-	-	6.4	-	-
Customer accounts						
- current and settlement accounts	0.0	0.0	0.0	0.0	0.0	0.0
- term deposits	13.0	0.1	0.0	5.9	0.1	0.0
Debt securities in issue	-	-	0.1	-	-	10.0
Other financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

Interest rate risk is measured on the basis of net present value approach, applying historical simulation method. The impact of interest rate shock is simulated every month. The decline due to a parallel shift by 50 and 100 basis points in yield curve is reported to Market Risk Committee.

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

In thousands of Russian Roubles	**2014**	**2013**
RR	208 596	(378 636)
US Dollars	5 925	(6 714)
Euros	1 182	14 107

21 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities as at 31 December 2014 is set out below:

In thousands of Russian Roubles	Russia	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	6 304 967	2 116 607	-	8 421 574
Mandatory cash balances with CBRF	310 308	-	-	310 308
Derivative financial assets	124 808	3 330 499	-	3 455 307
Due from other banks	14 712 587	12 487 683	626 316	27 826 586
Loans and advances to customers	27 137 769	-	-	27 137 769
Securities available for sale	2 703 079	-	-	2 703 079
Other financial assets	56 922	1 952	624	59 498
Total financial assets	**51 350 440**	**17 936 741**	**626 940**	**69 914 121**
Financial liabilities				
Due to other banks	1 462 792	32 441 522	-	33 904 314
Customer accounts	22 634 001	1 099 794	8 006	23 741 801
Debt securities in issue	94	-	-	94
Financial derivative liabilities	270 361	272 127	-	542 488
Other financial liabilities	10 560	51 644	69	62 273
Total financial liabilities	**24 377 808**	**33 865 087**	**8 075**	**58 250 970**
Net position	**26 972 632**	**(15 928 346)**	**618 865**	**11 663 151**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which it is physically held.

21 Financial Risk Management (Continued)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2013 is set out below:

In thousands of Russian Roubles	**Russia**	**OECD**	**Other countries**	**Total**
Financial assets				
Cash and cash equivalents	4 855 751	1 814 585	-	6 670 336
Mandatory cash balances with CBRF	321 038	-	-	321 038
Trading securities	-	1 451 902	-	1 451 902
Derivative financial assets	17 545	125 384	-	142 929
Due from other banks	4 114 796	9 979 476	276 870	14 371 142
Loans and advances to customers	17 612 556	-	-	17 612 556
Securities available for sale	2 505 519	-	-	2 505 519
Other financial assets	22 126	1	653	22 780
Total financial assets	**29 449 331**	**13 371 348**	**277 523**	**43 098 202**
Financial liabilities				
Due to other banks	1 000 000	11 384 389	-	12 384 389
Customer accounts	17 060 975	758 090	78 692	17 897 757
Debt securities in issue	428	-	-	428
Financial derivative liabilities	21 680	24 074	-	45 754
Other financial liabilities	7 690	1 355	285	9 330
Total financial liabilities	**18 090 773**	**12 167 908**	**78 977**	**30 337 658**
Net position	**11 358 558**	**1 203 440**	**198 546**	**12 760 544**

Liquidity risk characterises the aspect of solvency of the Bank, the risk of meeting obligations 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. This implies a measurement and controlling process which allows a view on the full maturity spectrum of the underlying products. Ensuring that the Bank is solvent at all times is the responsibility of Treasury Department. Measurement and monitoring of cash liquidity risk at the Group level is the task of GRM-MR.

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

21 Financial Risk Management (Continued)

Calculated liquidity cash flows (LAB) indicate 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 CBRF. 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 sale/repo of these assets is done. Balance sheet liquidity flows are calculated daily under normal and stress scenarios and contain all relevant sale/repo receipts by currency that can be realised based on the Bank's current assets.

LAB Concept assumes stable funding, which defines the proportion of the loan portfolio and other financial instruments with maturities over one year to long-term finance, including the Bank's long-term customer deposits. This concept serves as the basis for 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. Such gaps are closed by borrowing against liquid assets or disposal of such assets. Liquidity ratios are calculated under current market conditions and under various stress scenarios influenced by either market or behavioural factors.

Liquidity risk is additionally controlled by means of differentiated system of limits on the basis of LAB analysis. Liquidity limits are set for each individual currency and for aggregated forward cash position based on the going concern assumption. Independent GRM-MR divisions: the Department for Financial Market Operations and the Treasury Department monitor compliance with the limits on a daily basis for each segment and for the Bank as a whole. All limit overruns are reported to the Group's Treasury (GM-T) and the Market Risk Committee.

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

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. As of 31 December 2014, this ratio totals 118.7% (as of 31 December 2013: 85.0%) while required ratio should be not less than 15%;
- Current liquidity ratio (N3) is the proportion of liquid assets to liabilities maturing within 30 days. As of 31 December 2014, this ratio totals 99.7% (as of 31 December 2013: 109.1%) while required ratio should be not less than 50%;
- Long term liquidity ratio (N4) is the proportion of long-term assets (with maturity of over one year) to long term liabilities and equity. As of 31 December 2014, this ratio totals 64.7% (as of 31 December 2013: 67.9%) while required ratio should be not more than 120%;

21 Financial Risk Management (Continued)

The table below shows financial liabilities at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, prices specified in deliverable forward agreements to purchase financial assets for cash, contractual amounts to be exchanged under gross settled currency swaps, and gross loan commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the CBRF spot exchange rate at the end of the reporting period.

The maturity analysis of undiscounted financial liabilities at 31 December 2014 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Total**
Financial liabilities					
Due to other banks	20 314 660	259 724	10 753 414	2 674 628	34 002 426
Customer accounts	22 432 557	1 153 804	209 032	-	23 795 393
Debt securities in issue	-	-	94	-	94
Gross settled derivatives:					
- cash inflows	(10 074 297)	(911 245)	(219 435)	(7 607 922)	(18 812 899)
- cash outflows	10 123 152	948 038	182 185	4 646 705	15 900 080
Gross loan commitments	10 280 435	-	-	-	10 280 435
Guarantees issued	17 112 738	-	-	-	17 112 738
Irrevocable letters of credit	9 056 901	-	-	-	9 056 901
Total potential future payments for financial obligations	**79 246 146**	**1 450 321**	**10 925 290**	**(286 589)**	**91 335 168**

The maturity analysis of undiscounted financial liabilities at 31 December 2013 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Total**
Financial liabilities					
Due to other banks	8 922 323	2 700	1 142 875	2 338 289	12 406 187
Customer accounts	15 244 421	775 219	115 679	1 781 000	17 916 319
Debt securities in issue	-	-	367	61	428
Gross settled derivatives:					
- cash inflows	(16 453 551)	(435 618)	(797 083)	(1 041 000)	(18 727 252)
- cash outflows	16 329 074	430 616	805 314	1 065 073	18 630 077
Gross loan commitments	6 721 509	-	-	-	6 721 509
Guarantees issued	7 824 447	-	-	-	7 824 447
Irrevocable letters of credit	5 833 404	-	-	-	5 833 404
Total potential future payments for financial obligations	**44 421 627**	**772 917**	**1 267 152**	**4 143 423**	**50 605 119**

21 Financial Risk Management (Continued)

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Bank does not use the above maturity analysis to manage liquidity. Instead, the Bank monitors expected maturities which are summarised in the following tables:

	31 December 2014				
In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Financial assets					
Cash and cash equivalents	8 421 574	-	-	-	8 421 574
Mandatory cash balances with CBRF	229 623	51 115	31	29 539	310 308
Derivative financial assets	422 534	71 556	-	2 961 217	3 455 307
Due from other banks	26 244 711	46 142	425 951	1 109 782	27 826 586
Loans and advances to customers	5 719 657	5 427 811	5 175 060	10 815 241	27 137 769
Securities available for sale	-	179 505	807 588	1 715 986	2 703 079
Other financial assets	47 127	4 748	4 886	2 737	59 498
Total financial assets	**41 085 226**	**5 780 877**	**6 413 516**	**16 634 502**	**69 914 121**
Financial liabilities					
Due to other banks	20 269 649	8 147 117	-	5 487 548	33 904 314
Customer accounts	22 387 351	1 348 641	5 809	-	23 741 801
Debt securities in issue	-	94	-	-	94
Financial derivative liabilities	471 389	71 099	-	-	542 488
Other financial liabilities	59 779	1 516	202	776	62 273
Total financial liabilities	**43 188 168**	**9 568 467**	**6 011**	**5 488 324**	**58 250 970**
Net liquidity gap at 31 December 2014	**(2 102 942)**	**(3 787 590)**	**6 407 505**	**11 146 178**	**11 663 151**
Cumulative liquidity gap as at 31 December 2014	**(2 102 942)**	**(5 890 532)**	**516 973**	**11 663 151**	

21 Financial Risk Management (Continued)

All of the Bank's financial assets and liabilities mature within 6 years.

	31 December 2013				
In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Financial assets					
Cash and cash equivalents	6 670 336	-	-	-	6 670 336
Mandatory cash balances with CBRF	255 965	21 361	41	43 671	321 038
Trading securities	-	1 451 902	-	-	1 451 902
Derivative financial assets	125 605	15 164	2 160	-	142 929
Due from other banks	14 056 116	38 156	-	276 870	14 371 142
Loans and advances to customers	1 335 899	2 856 099	3 191 394	10 229 164	17 612 556
Securities available for sale	-	-	-	2 505 519	2 505 519
Other financial assets	4 467	1 457	646	16 210	22 780
Total financial assets	**22 448 388**	**4 384 139**	**3 194 241**	**13 071 434**	**43 098 202**
Financial liabilities					
Due to other banks	8 916 867	1 129 157	-	2 338 365	12 384 389
Customer accounts	15 227 212	885 747	3 822	1 780 976	17 897 757
Debt securities in issue	-	-	367	61	428
Financial derivative liabilities	1 128	20 553	-	24 073	45 754
Other financial liabilities	2 123	4 444	2 069	694	9 330
Total financial liabilities	**24 147 330**	**2 039 901**	**6 258**	**4 144 169**	**30 337 658**
Net liquidity gap at 31 December 2013	**(1 698 942)**	**2 344 238**	**3 187 983**	**8 927 265**	**12 760 544**
Cumulative liquidity gap as at 31 December 2013	**(1 698 942)**	**645 296**	**3 833 279**	**12 760 544**	

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest. The portfolio of securities is classified on the basis of their contractual maturities. However, these securities are quoted and freely tradable, and management believes they represent liquid assets of the Bank.

21 Financial Risk Management (Continued)

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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

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

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

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

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

22 Management of Capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. Aiming to achieve maximum efficiency while complying with the imposed regulatory limits, the strategy of the Bank focuses on selection of business activities providing maximum return at a given level of risk. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored on a daily basis while monthly reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually.

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. As at 31 December 2014, the Bank's regulatory capital on the basis of the Bank's statutory reports was RR 11 517 708 thousand (2013: RR 12 805 448 thousand).

22 Management of Capital (Continued)

The Bank's capital as managed and calculated in accordance with Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards and Amendment to the Capital Accord (updated November 2005), is as follows:

In thousands of Russian Roubles	2014	2013
Tier 1 capital		
Share capital	2 535 833	2 535 833
Share premium	1 291 839	1 291 839
Retained earnings and other reserves	7 884 801	8 967 036
Total tier 1 capital	**11 712 473**	**12 794 708**
Tier 2 capital	-	-
Total equity	**11 712 473**	**12 794 708**

The Bank has complied with all externally imposed capital requirements throughout 2014 and 2013.

23 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and both internal and external professional advice Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

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

The transfer pricing rules that became effective from 1 January 2012 appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

23 Contingencies and Commitments (Continued)

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying that transfer pricing legislation in practice.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity. Management believes that its transfer prices and the adjustments made are in compliance with the transfer pricing rules and plans to defend vigorously the Bank's transfer pricing positions.

In addition, there is a possible risk of additional income tax charge related to uncertainty and lack of practice of implementing new legislation on determining the price of unquoted derivative instruments for tax base calculation.

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

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

In thousands of Russian Roubles	**2014**	**2013**
Due within 1 year	177 175	118 710
Due between 1 and 5 years	359 401	362 648
Total operating lease commitments	**536 576**	**481 358**

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary letters of credit, which are written undertakings by the Bank to make payments to a third party on behalf of a customer up to a specified amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

23 Contingencies and Commitments (Continued)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	Note	2014	2013
Financial guarantees issued		17 112 738	7 824 447
Import letters of credit		9 056 901	5 751 127
Undrawn credit lines		6 872 794	4 491 732
Unused limits on overdraft loans		3 407 641	2 229 777
Export letters of credit		204 487	82 277
Provision for credit related commitments	14	(24 964)	(110 146)
Total credit related commitments, net of provision		**36 629 597**	**20 269 214**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 24 964 thousand at 31 December 2014 (2013: RR 110 146 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	2014	2013
Russian Roubles	13 993 346	8 826 424
Euros	11 727 904	6 663 238
US Dollars	10 908 347	4 779 552
Total	**36 629 597**	**20 269 214**

24 Derivative Financial Instruments

The fair values of derivative instruments at the end of the reporting period by currency are disclosed in the table below. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

	2014		2013	
In thousands of Russian Roubles	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of				
- USD receivable on settlement (+)	318 266	592 883	155 713	650 105
- USD payable on settlement (-)	(4 742 935)	(3 055 525)	(16 101 338)	(56 590)
- Euros receivable on settlement (+)	716 958	-	-	148 841
- Euros payable on settlement (-)	(96 926)	(1 713 467)	(270 728)	-
- RR receivable on settlement (+)	5 222 049	4 354 821	16 510 988	56 423
- RR payable on settlement (-)	(923 322)	(721 200)	(153 866)	(820 460)
Net fair value of foreign exchange forwards and swaps	**494 090**	**(542 488)**	**140 769**	**(21 681)**
Interest rate swaps: fair values, at the end of the reporting period, of				
- USD receivable on settlement (+)	6 751 008	-	164 182	-
- RR receivable on settlement (+)	856 914	-	-	1 041 000
- RR payable on settlement (-)	(4 646 705)	-	(162 022)	(1 065 073)
Total interest rate swaps	**2 961 217**	**-**	**2 160**	**(24 073)**
Net fair value of derivatives	**3 455 307**	**(542 488)**	**142 929**	**(45 754)**

24 Derivative Financial Instruments (Continued)

Foreign exchange and other derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

At 31 December 2014, the Bank also had liabilities under spot transactions with foreign currencies of RR 1 258 060 thousand (2013: RR 212 000 thousand). The net fair value of spot transactions is insignificant.

25 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2014				31 December 2013			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
FINANCIAL ASSETS								
Trading securities								
- Bonds of international development banks	-	-	-	-	1 451 902	-	-	1 451 902
Investment securities available for sale								
- Russian government bonds	2 703 079	-	-	2 703 079	2 505 519	-	-	2 505 519
Financial derivatives	-	3 455 307	-	3 455 307	-	142 929	-	142 929
TOTAL ASSETS AT FAIR VALUE	**2 703 079**	**3 455 307**	**-**	**6 158 386**	**3 957 421**	**142 929**	**-**	**4 100 350**

25 Fair Value Disclosures (Continued)

In thousands of Russian Roubles	31 December 2014				31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
LIABILITIES AT FAIR VALUE								
FINANCIAL LIABILITIES								
Financial derivatives	-	542 488	-	542 488	-	45 754	-	45 754
TOTAL LIABILITIES AT FAIR VALUE	**-**	**542 488**	**-**	**542 488**	**-**	**45 754**	**-**	**45 754**

Derivative financial instruments whose fair value is established through valuation techniques with inputs observable in the market are interest rate and currency swaps, and forward foreign exchange contracts. Fair values of these instruments are calculated on the basis of models using present value calculation. These models combine different inputs, including credit quality, forward and spot exchange rates as well as interest rate curves.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

In thousands of Russian Roubles	31 December 2014				31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
ASSETS								
Cash and cash equivalents								
- Cash on hand	60 193	-	-	60 193	22 234		-	22 234
- Cash balances with the CBRF	-	5 664 974	-	5 664 974	-	4 406 718	-	4 406 718
- Correspondent accounts and overnight placements	-	2 149 596	-	2 149 596	-	1 848 634	-	1 848 634
- Balances on settlement accounts with trading systems	-	546 811	-	546 811	-	392 750	-	392 750
Mandatory cash balances with CBRF	-	310 308	-	310 308	-	321 038	-	321 038
Due from other banks	-	27 656 364	-	27 826 586	-	14 247 791		14 371 142
Loans and advances to customers	-	-	26 499 258	27 137 769	-	-	17 689 358	17 612 556
Other financial assets	-	-	59 498	59 498	-	-	22 284	22 780
TOTAL FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE	**60 193**	**36 328 053**	**26 558 756**	**63 755 735**	**22 234**	**21 216 931**	**17 711 642**	**38 997 852**

25 Fair Value Disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

In thousands of Russian Roubles	31 December 2014 Level 1	Level 2	Level 3	Carrying value	31 December 2013 Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES								
Due to other banks								
- Correspondent accounts and overnight placements of other banks	-	1 895 762	-	1 895 762	-	7 787 559	-	7 787 559
- Term placements of other banks	-	31 535 326	-	32 008 552	-	4 518 527	-	4 596 830
Customer accounts								
- Current/settlement accounts of other legal entities	-	10 901 102	-	10 901 102	-	7 506 684	-	7 506 684
- Term deposits of other legal entities	-	12 804 167	-	12 832 178	-	10 309 275	-	10 370 765
- Current/demand accounts of individuals	-	8 521	-	8 521	-	18 545	-	18 545
- Term deposits of individuals	-	-	-	-	-	1 763	-	1 763
Debt securities in issue	-	94	-	94	-	428	-	428
Other financial liabilities	-	62 273	-	62 273	-	9 330	-	9 330
TOTAL FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE	**-**	**57 207 245**	**-**	**57 708 482**	**-**	**30 152 111**	**-**	**30 291 904**

(c) Valuation techniques and assumptions

Assets which fair value approximates their carrying value. Fair value of liquid or short term (less than 3 months) financial assets and financial liabilities is assumed to approximate their fair value. This assumption is also used for demand deposits and saving accounts without set maturity.

Loans and receivables carried at amortised cost. The estimated fair value of a financial instrument is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on the currency, maturity of the instrument and credit risk of the counterparty. The Bank applied discount rates calculated on the basis of government curves for each currency, appropriately amended to include:

- cost of funding for Commerzbank (based on credit default swap curve for Commerzbank AG);
- country risk differential (based on credit default swap curve for Russian Federation, currency and interest rate swap curves for each currency);
- individual credit risk (based in credit margin).

25 Fair Value Disclosures (Continued)

The following table gives information about applied discount rates (with adjustment for average credit margin):

In % pa	**2014**	**2013**
Exposures denominated in Russian Roubles		
up to 3 months	17.6% - 25.0%	8.3% - 9.3%
3 months to 1 year	18.6% - 24.9%	9.2% - 9.3%
over 1 year	11.5% - 18.6%	9.2% - 9.6%
Exposures denominated in US Dollars		
up to 3 months	1.6% - 1.8%	2.3% - 2.4%
3 months to 1 year	1.8% - 2.0%	2.4% - 2.5%
over 1 year	2.0% - 3.6%	2.5% - 4.4%
Exposures denominated in Euro		
up to 3 months	1.2% - 1.5%	2.6% - 2.8%
3 months to 1 year	1.5% - 1.5%	2.6% - 2.7%
over 1 year	1.5% - 1.9%	2.6% - 3.6%

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on cash flows discounted at interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Discount rates used were consistent with the Bank's credit risk and also depend on currency and maturity of the instrument as described above.

The Bank's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

26 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading ("Trading assets"). In addition, finance lease receivables form a separate category.

As at 31 December 2014 and 2013, all of the Bank's financial assets fall in the loans and receivables category except for derivatives, trading securities and securities available for sale.

As at 31 December 2014 and 2013, all of the Bank's financial liabilities except for derivatives were carried at amortised cost.

Derivatives belong to the fair value through profit or loss measurement category.

27 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**2014 Commerzbank Group**	**2013 Commerzbank Group**
Correspondent accounts with banks – contractual interest rate: 0% (2013: 0%)	2 080 999	1 781 278
Due from other banks (contractual interest rate: 0.1% - 16.5% (2013: 0.8%)	12 487 683	9 982 406
Financial derivative assets	3 329 674	125 384
Loans to customers	2 370	3 608
Other financial assets	1 198	993
Other assets	-	45 127
Due to banks (contractual interest rate: 0% – 18.8% (2013: 0% - 4.3%)	32 441 522	11 384 389
Customer accounts (contractual interest rate: 0% – 11% (2013: 0% – 6%)	87 777	122 410
Financial derivative liabilities	272 127	24 073
Other financial liabilities	51 644	1 355
Other liabilities	-	10 486

The income and expense items with related parties were as follows:

In thousands of Russian Roubles	**2014 Commerzbank Group**	**2013 Commerzbank Group**
Interest income	29 753	25 946
Interest expense	(30 998)	(16 842)
Fee and commission income	16 250	13 097
Fee and commission expense	(26 953)	(38 744)
Other operating income	59 992	67 394
Administrative and other operating expenses	(285 010)	(218 935)

In 2014, net financial result from transactions with conversion currency instruments with related parties (spot, swap, forward currency transactions), which is calculated as net cumulative translation differences at settlement dates for these instruments was an income of RR 96.3 million (2013: RR 123.5 million). These amounts are of indicative nature as they do not take into account revaluation of currency positions and do not create full picture of the Bank's financial result from these transactions which may differ significantly from the amount above if all income and expenses are taken into account.

27 Related Party Transactions (Continued)

At 31 December 2014, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	**2014 Commerzbank Group**	**2013 Commerzbank Group**
Contingent receivables on the guarantees issued by related parties to the Bank (other than counter-guarantees)	21 924 802	6 490 031
Guarantees issued by the Bank to related parties	10 530 815	3 531 276
Receivables on gross settled term deals and derivatives	15 544 133	11 509 610
Liabilities under gross settled term deals and derivatives	12 708 595	11 408 299
Irrevocable credit lines	700 000	700 000

Key management compensation is presented below:

	2014		**2013**	
In thousands of Russian Roubles	**Interest income**	**Loans and advances to customers**	**Interest income**	**Loans and advances to customers**
Loans and advances to customers	287	2 370	452	3 623
Total	**287**	**2 370**	**452**	**3 623**

	2014		**2013**	
In thousands of Russian Roubles	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Salaries, short-term bonuses, benefits in-kind	29 865	5 784	30 421	6 111
Total	**29 865**	**5 784**	**30 421**	**6 111**

At 31 December 2014, operating lease commitments for premises leased by the Bank from Commerzbank Group's related party comprised RR 454 584 thousand (2013: RR 402 579 thousand).

28 Events After the Reporting Date

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