COMMERZBANK (EURASIJA) AO

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

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

At 1 January 2017

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Auditor's Report

Client

COMMERZBANK (EURASIJA), Joint-Stock Company.

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

Date of client's registration with the Central Bank of Russia: 10 December 1998

Registration number: 3333.

The main state registration number: 1027739070259.

Auditor

Joint-Stock Company PricewaterhouseCoopers Audit (AO PwC Audit) located at: 125047, Russian Federation, Moscow, 10 Butyrsky Val.

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

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

Member of self-regulated organization of auditors «Russian Union of auditors» (Association).

Major registration record number (ORNZ) in the register of auditors and audit organisations – 11603050547.

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

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

To the Shareholder and Supervisory Board of COMMERZBANK (EURASIJA) AO:

We have audited the attached annual statutory accounting (financial) reports of COMMERZBANK (EURASIJA) AO (hereinafter, the "Bank") which comprise the balance sheet (published form) as at 1 January 2017; the report on financial results (published form) for the year 2016; appendices to the balance sheet and the report on financial results ("Report on the capital adequacy level to cover risks, the amount of provision for possible losses on loans and other assets (published form)" as at 1 January 2017; "Information on statutory ratios, financial leverage index and short-term liquidity ratio (published form)" as at 1 January 2017; "Report on changes in cash flows (published form)" as at 1 January 2017; and the explanatory information prepared in accordance with the Central Bank of Russia Regulation of 4 September 2013 No. 3054-U "On the Procedures for Preparation Annual Statutory Accounting (Financial) Reports by Credit Institutions" (hereinafter collectively referred to as "the annual statutory accounting (financial) reports"). The annual statutory accounting (financial) reports have been prepared by the Bank's management on the basis of the statutory accounting reports prepared in accordance with the Russian legislation and the Bank of Russia's regulations. The accompanying annual statutory accounting (financial) reports are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, the accompanying annual statutory accounting (financial) reports are not prepared for those who are not familiar with accounting principles, procedures and practices accepted in the Russian Federation.

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

Bank's management is responsible for the preparation and fair presentation of these annual statutory accounting (financial) reports in accordance with the Russian regulations for preparation of the annual statutory accounting (financial) reports for credit institutions and for such internal control as management determines is necessary to enable the preparation of the annual statutory accounting (financial) reports that are free from material misstatement, whether due to fraud or error.

The Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the annual statutory accounting (financial) reports.

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Opinion

In our opinion, the annual statutory accounting (financial) reports present fairly, in all material respects, the financial position of the Bank as at 1 January 2017, and the results of its operations and its cash flows for the year 2016 in accordance with the Russian regulations for preparation of the annual statutory accounting (financial) reports for credit institutions.

Report on examination in accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity"

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

In accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity", we have examined the following during the audit of the annual statutory accounting (financial) reports of the Bank for the year 2016:

- compliance of the Bank as at 1 January 2017 with the statutory ratios set by the Bank of Russia;
- compliance of internal control and organisation of risk management systems of the Bank with the requirements set by the Bank of Russia for such systems.

Our examination was limited to procedures selected based on our judgement, such as inquiries, analysis and examination of documents, comparison of requirements, procedures and methodologies adopted by the Bank with the 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 compliance of the Bank with the statutory ratios set by the Bank of Russia:

   as at 1 January 2017 the Bank's statutory ratios set by the Bank of Russia were within the limits set by the Bank of Russia.

   We draw your attention to the fact that we have not performed any procedures related to the underlying accounting data of the Bank other than the procedures we considered necessary to express our opinion on whether or not the annual statutory accounting (financial) reports present fairly, in all material respects, the financial position of the Bank as at 1 January 2017, and the results of its operations and its cash flows for the year 2016 in accordance with the Russian regulations for preparation of annual statutory accounting (financial) reports for credit institutions;

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

   a) in accordance with the Bank of Russia's requirements and recommendations, as at 1 January 2017 subdivisions of the Bank for managing significant risks were not subordinated or accountable to subdivisions assuming corresponding risks;

   b) internal documents of the Bank effective as at 1 January 2017 which set out the methodologies to identify and manage significant credit, market (including interest rate), liquidity and operational risks and the methodologies to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Bank of Russia's requirements and recommendations;

c) as at 1 January 2017 the Bank had in place a reporting system for significant credit, market (including interest rate), liquidity and operational risks and for equity (capital) of the Bank;

d) the frequency and consistency of reports prepared by risk management subdivisions of the Bank and its internal audit function during 2016 as related to management of credit, market (including interest rate), liquidity and operational risks complied with internal documents of the Bank; those reports included observations made by risk management subdivisions of the Bank and its internal audit function as related to the assessment of the effectiveness of the respective procedures of the Bank as well as recommendations on their improvement;

e) as at 1 January 2017 the authority of the Supervisory Board of the Bank and its executive bodies included control over compliance of the Bank with risk and equity (capital) adequacy limits set by internal documents of the Bank. To exercise control over the effectiveness of the risk management procedures applied in the Bank and their consistent application in 2016, the Supervisory Board of the Bank and its executive bodies regularly discussed the reports prepared by risk management subdivisions of the Bank and its internal audit function and considered proposed measures to eliminate weaknesses.

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

O. Kucherova,
Director (license number No. 01-000397),
AO PricewaterhouseCoopers Audit

27 April 2017

Bank financial statements

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

BALANCE SHEET
(published form)

At 1 January 2017

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

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

OKUD Form Code 0409806
Quarterly (annual)
RR'000

Pos. No.	Item	Note number	At the reporting date	At the beginning of the reporting year
I. ASSETS				
1	Cash	4.1.1	21 516	61 382
2	Accounts with the Central Bank of the Russian Federation		1 021 501	12 629 915
2.1	Mandatory reserves		324 397	261 897
3	Amounts due from credit institutions		6 090 505	6 390 962
4	Financial assets at fair value through profit or loss	4.1.2, 4.1.3	3 639 210	5 929 398
5	Net loans to customers and other banks	2.2., 4.1.4	17 340 453	21 431 143
6	Net investment in securities and other financial assets available for sale	4.1.5	3 577 427	2 611 801
6.1	Investment in subsidiaries and associates		0	0
7	Net investment in securities held to maturity		0	0
8	Current income tax receivable		254 261	211 297
9	Deferred tax asset		0	8 102
10	Premises and equipment, intangible assets and inventory		78 387	73 748
11	Non-current assets held for sale		0	0
12	Other assets	4.1.7	1 532 388	1 935 068
13	**Total assets**	2.2.	**33 555 648**	**51 282 816**

Pos. No.	Item	Note number	At the reporting date	At the beginning of the reporting year
II. LIABILITIES				
14	Loans, deposits and other funds of the Central Bank of the Russian Federation		0	0
15	Amounts due to credit institutions	4.1.8	3 213 222	11 461 406
16	Amounts due to customers (non-credit institutions)	4.1.9	16 601 372	24 760 162
16.1	Deposits (amounts) due to individuals and individual entrepreneurs		295	4 243
17	Financial liabilities at fair value through profit or loss		429 513	1 107 687
18	Debt securities issued	4.1.10	0	16 400
19	Current income tax liability		3 543	42 288
20	Deferred tax liability		662 899	979 111
21	Other liabilities	4.1.11	164 793	136 132
22	Provisions for credit related contingencies, other possible losses and transactions with offshore residents		326 867	499 064
23	**Total liabilities**	2.2.	**21 402 209**	**39 002 250**
III. EQUITY				
24	Shareholders' (participants') funds	4.1.12	2 155 600	2 155 600
25	Treasury shares (participatory interests) redeemed from shareholders (participants)		0	0
26	Share premium	4.1.12	1 279 671	1 279 671
27	Reserve fund		323 340	323 340
28	Fair valuation of securities available for sale, less deferred tax liability (plus deferred tax asset)		14 363	(32 409)
29	Revaluation of premises and equipment and intangible assets, less deferred tax liability		0	0
30	Revaluation of liabilities (claims) on long-term benefit payments		0	0
31	Revaluation of hedging instruments		0	0
32	Cash from free financing (contributions to property)		0	0
33	Retained earnings (accumulated deficit) of previous years	4.3.	7 554 365	6 016 748
34	Unutilised earnings (losses) for the reporting period		826 100	2 537 616
35	**Total equity**	2.2.	**12 153 439**	**12 280 566**
IV. OFF-BALANCE SHEET LIABILITIES				
36	Irrevocable commitments of the credit institution	4.1.13	56 592 319	60 570 649
37	Guarantees and sureties issued by the credit institution	4.1.14	21 023 222	34 335 846
38	Contingent non-credit liabilities		0	0

Chairman of the Management Board K. Runde

Chief Accountant A. Gorokhovskiy

27 April 2017

Bank financial statements

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STATEMENT OF FINANCIAL RESULTS (published form)

for 2016

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

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

OKUD Form Code 0409807

Quarterly (Annual)

RR'000

Section 1. Statement of Profit or Loss

Pos. No.	Item	Note number	Reporting period	Previous reporting period
1	Total interest income, including:		1 550 374	2 057 978
1.1.	From placements with credit institutions		199 995	631 047
1.2	From loans to customers (non-credit institutions)		1 088 991	1 231 487
1.3	From financial leases		0	0
1.4	From investments in securities		261 388	195 444
2	Total interest expense, including:		602 076	997 664
2.1	On placements from credit institutions		71 524	154 524
2.2	On customer accounts (non-credit institutions)		530 552	843 140
2.3	On debt securities issued		0	0
3	Net interest income (negative interest margin)	2.2.	948 298	1 060 314
4	Total change in the provision for impairment of loans, borrowings and similar debt, funds placed on correspondent accounts and interest income accrued, including:	4.3.	(603 218)	(28 061)
4.1	Change in provision for impairment of interest income accrued	4.3.	(18)	1 270
5	Net interest income (negative interest margin) after provision for loan impairment		345 080	1 032 253
6	Net income from dealing in financial assets at fair value through profit or loss		872 018	1 041 868
7	Net income from dealing in financial liabilities at fair value through profit or loss		0	0
8	Net income from dealing in securities available for sale		(39)	(100)
9	Net income from dealing in securities held to maturity		0	0
10	Net income from dealing in foreign currencies	2.2., 4.2.	1 955 288	(1 761 309)
11	Net income from revaluation of foreign currency balances	2.2.	(1 297 633)	4 082 179
12	Net income from trading in precious metals		0	0
13	Income from participation in equity of other legal entities		0	0
14	Fee and commission income		535 884	533 911
15	Fee and commission expense		109 761	146 498
16	Change in provision for losses on securities available for sale		0	0
17	Change in provision for losses on securities held to maturity		0	0
18	Changes in provision for other losses	4.3.	129 044	(332 394)
19	Other operating income	4.2.	117 250	109 080

Pos. No.	Item	Note number	Reporting period	Previous reporting period
20	Net income (expense)		2 547 131	4 558 990
21	Operating expenses	4.2.	1 345 391	1 268 546
22	**Profit (loss) before tax**	2.2.	**1 201 740**	**3 290 544**
23	Income tax refund (expense)	2.2., 4.2.	375 640	752 828
24	Profit (loss) from continuing operations		826 100	2,537,616
25	Profit (loss) from discontinued operations		0	0
26	**Profit (loss) for the reporting period**	2.2., 4.3.	**826 100**	**2 537 616**

Section 2. Statement of Other Comprehensive Income

Pos. No.	Item	Note number	Reporting period	Previous reporting period
1	Profit (loss) for the reporting period		**826 100**	**2 537 616**
2	Other comprehensive income/(loss)		X	X
3	Items that are not recycled into profit or loss, total, including:		0	0
3.1	change in revaluation reserve for premises and equipment		0	0
3.2	change in revaluation reserve for employee post-employment benefit obligations (liabilities) under defined benefit plans		0	0
4	Income tax attributable to items that may not be recycled into profit or loss		0	0
5	Other comprehensive income (loss) that may not be recycled subsequently into profit or loss, net of income tax		0	0
6	Items that may be recycled into profit or loss, total, including:		58 465	252 434
6.1	change in revaluation reserve for available-for-sale financial assets		58 465	252 434
6.2	change in the reserve for cash flow hedge			0
7	Income tax attributable to items that may be recycled into profit or loss		11 693	49 505
8	Other comprehensive income (loss) that may be recycled subsequently into profit or loss, net of income tax		46 772	202 929
9	Other comprehensive income (loss), net of income tax		46 772	202 929
10	Financial result for the reporting period		**872 872**	**2 740 545**

Chairman of the Management Board K. Runde

Chief Accountant A. Gorokhovskiy

27 April 2017

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Bank financial statements

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STATEMENT ON CAPITAL ADEQUACY LEVEL TO COVER RISKS, THE AMOUNT OF PROVISION FOR DOUBTFUL LOANS AND OTHER ASSETS

(published form)

At 1 January 2017

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

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

OKUD Form Code 0409808

Quarterly (Annual)

Section 1.Information on Capital Adequacy Level

Pos. No.	Instrument (item)	Note No.	Value of the instrument (amount of the item) at the reporting date		Value of the instrument (amount of the item) at the beginning of the reporting year	
			included in calculation	not included until 01.01.2018	included in calculation	not included until 01.01.2018
Sources of tier 1 capital:						
1	Total charter capital and share premium formed by:		3 435 271	X	3 435 271	X
1.1.	Ordinary shares (participatory interests)		3 435 271	X	3 435 271	X
1.2	Preference shares			X		X
2	Retained earnings (deficit):		7 554 365	X	6 016 748	X
2.1	of previous years		7 554 365	X	6 016 748	X
2.2	of the reporting year		0	X	0	X
3	Reserve fund		323 340	X	323 340	X
4	Participatory interests in the charter capital subject to phase out from equity (capital) calculation		N/A	X	N/A	X
5	Tier 1 capital instruments of subsidiaries held by third parties		N/A		N/A	
6	**Sources of Tier 1 capital, total(line 1 +/– line 2 + line 3 – line 4 + line 5)**		**11 312 976**	X	**9 775 359**	X
Items decreasing sources of Tier 1 capital:						
7	Adjustment of trading portfolio		N/A		N/A	
8	Goodwill, less deferred tax liabilities					
9	Intangible assets (excluding goodwill and mortgage servicing rights), less deferred tax liabilities		7 599		0	
10	Deferred tax assets that depend on future profits		0		0	
11	Cash flow hedge reserve		N/A		N/A	

Pos. No.	Instrument (item)	Note No.	Value of the instrument (amount of the item) at the reporting date		Value of the instrument (amount of the item) at the beginning of the reporting year	
			included in calculation	not included until 01.01.2018	included in calculation	not included until 01.01.2018
12	Understated provisions for possible losses					
13	Gains on securitisation transactions		N/A		N/A	
14	Gains or losses due to changes in credit risk on liabilities at fair value		N/A		N/A	
15	Assets of defined benefit plans		N/A		N/A	
16	Contributions to treasury shares (participatory interests)					
17	Cross shareholding		N/A		N/A	
18	Immaterial investments into Tier 1 capital instruments of financial institutions					
19	Material investments into Tier 1 capital instruments of financial institutions					
20	Mortgage servicing rights		N/A		N/A	
21	Deferred tax assets that do not rely on future profitability		0		0	
22	Aggregate amount of material investments and deferred tax assets, where it exceeds 15% of Tier 1 capital, total, including:					
23	Material investments into Tier 1 capital instruments of financial institutions					
24	Mortgage servicing rights		N/A		N/A	
25	Deferred tax assets that do not rely on future profitability					
26	Other items decreasing sources of Tier 1 capital, established by the Bank of Russia, total, including:					
26.1	Items subject to phase out from equity (capital) calculation			X		X
27	Negative additional Tier 1 capital			X		X
28	**Items decreasing sources of Tier 1 capital, total (sum of lines 7 to 22 and lines 26 and 27)**		**7 599**	X	**0**	X
29	**Tier 1 capital, total (line 6 – line 28)**		**11 305 377**	X	**9 775 359**	X
Sources of additional Tier 1 capital						
30	Additional Tier 1 capital instruments and share premium, total, including:			X		X
31	equity component			X		X
32	liability component			X		X
33	Additional Tier 1 capital instruments subject to phase out from equity (capital) calculation			X		X
34	Additional Tier 1 capital instruments of subsidiaries held by third parties, total, including:		N/A	X	N/A	X
35	Additional Tier 1 capital instruments of subsidiaries subject to phase out from equity (capital) calculation			X		X
36	**Sources of additional Tier 1 capital, total (line 30 + line 33 + line 34)**		**0**	X	**0**	X
Items decreasing sources of Additional Tier 1 capital:						
37	Investments in own additional Tier 1 capital instruments					
38	Cross shareholding – additional Tier 1 capital instruments		N/A		N/A	
39	Immaterial investments into additional Tier 1 capital instruments of financial institutions					

Pos. No.	Instrument (item)	Note No.	Value of the instrument (amount of the item) at the reporting date		Value of the instrument (amount of the item) at the beginning of the reporting year	
			included in calculation	not included until 01.01.2018	included in calculation	not included until 01.01.2018
40	Material investments into additional Tier 1 capital instruments of financial institutions					
41	Other items decreasing sources of additional Tier 1 capital, established by the Bank of Russia, total, including:			X	0	X
41.1	items subject to phase out from equity (capital) calculation, total, including:			X	0	X
41.1.1	intangible assets			X		X
41.1.2	treasury shares (participatory interests) purchased (redeemed) from shareholders (participants)			X		X
41.1.3	shares (participatory interests) of subsidiary and associate financial institutions and credit institutions – residents			X		X
41.1.4	sources of equity, where underlying assets are inappropriate			X		X
41.1.5	negative Tier 2 capital due to adjustment in equity (capital) by the amount of sources of additional paid-in capital, where investors used inappropriate underlying assets			X		X
42	Negative Tier 2 capital			X		X
43	**Items decreasing sources of additional Tier 1 capital, total (sum of lines 37 to 42)**		**0**	X	**0**	X
44	**Additional Tier 1 capital, total (line 36 – line 43)**		**0**	X	**0**	X
45	**Core capital, total (line 29 + line 44)**		**11 305 377**	X	**9 775 359**	X
Sources of Tier 2 capital						
46	Tier 2 capital instruments and share premium	4.3.	831 884	X	2 465 914	X
47	Tier 2 capital instruments subject to exclusion from equity (capital) calculation			X		X
48	Tier 2 capital instruments of subsidiaries held by third parties, total, including:		N/A	X	N/A	X
49	Tier 2 capital instruments of subsidiaries subject to phase out from equity (capital) calculation			X		X
50	Provisions for possible losses		N/A	X	N/A	X
51	**Sources of Tier 2 capital, total (line 46 + line 47 + line 48 + line 50)**		**831 884**	X	**2 465 914**	X
Items decreasing sources of Tier 2 capital						
52	Investments in own Tier 2 capital instruments					
53	Cross shareholding – Tier 2 capital instruments		N/A		N/A	
54	Immaterial investments into Tier 2 capital instruments of financial institutions					
55	Material investments into Tier 2 capital instruments of financial institutions					
56	Other items decreasing sources of additional Tier 2 capital, established by the Bank of Russia, total, including:			X	0	X
56.1	items subject to phase out from equity (capital) calculation, total, including:			X	0	X
56.1.1	sources of equity, where investors used inappropriate underlying assets			X	0	X

Pos. No.	Instrument (item)	Note No.	Value of the instrument (amount of the item) at the reporting date		Value of the instrument (amount of the item) at the beginning of the reporting year	
			included in calculation	not included until 01.01.2018	included in calculation	not included until 01.01.2018
56.1.2	receivables more than 30 calendar days overdue			X	0	X
56.1.3	subordinated loans issued to lending institutions – residents			X		X
56.1.4	excess of the aggregate amount of loans, bank guarantees granted by the bank to its shareholders (participants) and insiders over its maximum amount			X		X
56.1.5	investments in construction and acquisition of premises and equipment and inventories			X		X
56.1.6	difference between the actual value of the participatory interest attributable to the withdrawn participant and the value for which the interest was sold to another participant			X		X
57	**Items decreasing sources of Tier 2 capital, total**(sum of lines 52 to 56)		**0**	X	**0**	X
58	**Tier 2 capital, total** (line 51 – line 57)		**831 884**	X	**2 465 914**	X
59	**Equity (capital),** total (line 45 + line 58)		**12 137 261**	X	**12 241 273**	X
60	**Risk-weighted assets:**		X	X	X	X
60.1	subject to phase out from equity (capital) calculation			X		X
60.2	required to calculate Tier 1 capital adequacy	4.3.	42 136 917	X	47 893 520	X
60.3	required to calculate core capital adequacy	4.3.	42 136 917	X	47 893 520	X
60.4	required to calculate equity (capital) adequacy	4.3.	42 136 917	X	47 893 520	X
Capital adequacy and supplemental increments to regulatory capital adequacy ratios, %						
61	Tier 1 capital adequacy (line 29 : line 60.2)	4.4.	26.8301	X	20.4106	X
62	Core capital adequacy (line 45 : line 60.3)	44	26.8301	X	20.4106	X
63	Own (regulatory) capital adequacy (line 59:line 60.4)	4.4.	28.8043	X	25.5594	X
64	Increments to regulatory capital adequacy ratios, total, including:		0.625	X	N/A	X
65	Increment for supporting capital adequacy		0.625	X	N/A	X
66	Countercyclical buffer		0.000	X	N/A	X
67	Systemic importance buffer		N/A	X	N/A	X
68	Tier 1 capital available for supporting increments to regulatory capital adequacy ratio		22.3301	X	N/A	X
Own (regulatory) capital adequacy ratios						
69	Tier 1 capital adequacy ratio		4.5	X	5.0	X
70	Core capital adequacy ratio		6.0	X	6.0	X
71	Equity (capital) adequacy ratio		8.0	X	10.0	X
Items that decrease the sources of equity and that are within the established materiality threshold						
72	Immaterial investments into capital instruments of financial institutions			X		X
73	Material investments into capital instruments of financial institutions			X		X
74	Mortgage servicing rights		N/A	X	N/A	X

Pos. No.	Instrument (item)	Note No.	Value of the instrument (amount of the item) at the reporting date		Value of the instrument (amount of the item) at the beginning of the reporting year	
			included in calculation	not included until 01.01.2018	included in calculation	not included until 01.01.2018
75	Deferred tax assets that do not rely on future profitability			X		X
Limitations on inclusion of provisions for possible losses to Tier 2 capital calculation						
76	Provisions for possible losses included in Tier 2 capital calculation for those items where standardised approach is applied to calculate the credit risk		N/A	X	N/A	X
77	Limitations on inclusion of provisions for possible losses to Tier 2 capital calculation when standardised approach is used		N/A	X	N/A	X
78	Provisions for possible losses included in Tier 2 capital calculation for those items where internal model approach is applied to calculate the credit risk		N/A	X	N/A	X
79	Limitations on inclusion of provisions for possible losses to Tier 2 capital calculation when internal model approach is used		N/A	X	N/A	X
Instruments subject to phase out from equity (capital) calculation (applied from1 January 2018 to 1 January 2022)						
80	Current limitation on inclusion of instruments subject to phase out of sources of Tier 1 capital from equity calculation			X		X
81	Portion of instruments that are not included into sources of Tier 1 capital due to limitation			X		X
82	Current limitation on inclusion of instruments subject to phase out of sources of additional Tier 1 capital from equity (capital) calculation			X		X
83	Portion of instruments that are not included into sources of additional Tier 1 capital due to limitation			X		X
84	Current limitation on inclusion of instruments subject to phase out of sources of Tier 2 capital from equity (capital) calculation			X		X
85	Portion of instruments that are not included into sources of Tier 2 capital due to limitation			X		X

Note:

Balance sheet data serving as the sources for preparation of Section 1 of the Report are given in the Notes, p. 4.3 – tables 4.3.2 and 4.3.3.

Section 2. Amount of credit, operating and market risks covered by capital

Subsection 2.1. Credit risk when standardised approach is applied

RR'000

Pos. No.	Item	Note number	At the reporting date			At the beginning of the reporting year		
			Value of assets (instruments) measured using standardised approach	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)	Value of assets (instruments) measured using standardised approach	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)
1	**Credit risk for assets on balance sheet accounts**	4.3, 5.2.1	**30 717 641**	**29 911 018**	**16 588 750**	**45 474 341**	**45 314 088**	**21 271 479**
1.1.	Total assets with * 0% risk ratio, including:		5 620 690	5 620 690	0	15 041 918	15 041 918	0
1.1.1	cash and mandatory reserves deposited with the Bank of Russia		2 043 263	2 043 263	0	12 691 297	12 691 297	0
1.1.2	loan receivables and other receivables secured by guarantees of the Russian Federation, the Russian Ministry of Finance, and the Bank of Russia and by pledge of government debt securities of the Russian Federation, the Russian Ministry of Finance, and the Bank of Russia		0	0	0	0	0	0
1.1.3	loan receivables and other receivables from the central banks or governments of the countries with "0", "1"** country assessment, including those secured with guarantees of these countries		0	0	0	0	0	0
1.2	Total assets with 20% risk ratio, including:		14 108 400	14 108 400	2 821 680	13 767 008	13 767 008	2 753 402
1.2.1	loan receivables and other receivables from Russian Federation constituents, municipalities and other organisations secured with guarantees and pledge of securities of Russian Federation constituents and municipalities		0	0	0	0	0	0
1.2.2	loan receivables and other receivables from the central banks or governments of the countries with "2" country assessment, including those secured with guarantees (pledge of securities) of these countries		0	0	0	0	0	0
1.2.3	loan receivables and other receivables from credit institutions – residents of countries with "0", "1" country assessment and long-term creditworthiness ratings***, including those secured with their guarantees		14 108 296	14 108 296	2 821 659	13 747 462	13 747 462	2 749 492
1.3	Total assets with 50% risk ratio, including:		0	0	0	0	0	0

Pos. No.	Item	Note number	At the reporting date			At the beginning of the reporting year		
			Value of assets (instruments) measured using standardised approach	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)	Value of assets (instruments) measured using standardised approach	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)
1.3.1	loan receivables and other receivables in foreign currency secured with guarantees of the Russian Federation, the Russian Ministry of Finance, and the Bank of Russia and pledge of government debt securities of the Russian Federation, the Russian Ministry of Finance and the Bank of Russia denominated in foreign currency		0	0	0	0	0	0
1.3.2	loan receivables and other receivables from the central banks or governments of the countries with "3" country assessment, including those secured with guarantees (pledge of securities) of these countries		0	0	0	0	0	0
1.3.3	loan receivables and other receivables from credit institutions – residents of countries with "0", "1" country assessment and without long-term creditworthiness ratings, and from credit institutions – residents of countries with "2" country assessment, including those secured with their guarantees		0	0	0	0	0	0
1.4	Total assets with 100% risk ratio, including:		2 828 919	2 752 849	2 752 849	6 404 894	6 379 070	6 379 070
1.4.1	Loan receivables from banks		3 487	3 487	3 487	488 245	488 245	488 245
1.4.2	Loan receivables from legal entities and individuals		2 431 341	2 402 971	2 402 971	5 574 795	5 553 519	5 553 519
1.4.3	Balances on correspondent accounts		425	425	425	4 458	4 458	4 458
1.4.4	Premises and equipment, intangible assets and tangible assets		78 387	78 387	78 387	73 748	73 748	73 748
1.4.5	Tax receivable and deferred tax assets		258 915	258 915	258 915	223 778	223 778	223 778
1.4.6	Other assets		56 364	8 664	8 664	39 870	35 322	35 322
1.5	Assets with 150% risk ratio – loan receivables and other receivables from the central banks or governments of the countries with "7" country assessment		0	0	0	0	0	0
2	**Total assets with other risk ratios, including:**		X	x	x	x	x	x
2.1	total assets with lower risk ratios, including:		1 618 292	1 618 292	180 515	3 429 264	3 429 264	251 063
2.1.1	mortgage loans with 50% risk ratio		0	0	0	0	0	0
2.1.2	mortgage loans with 70% risk ratio		0	0	0	0	0	0
2.1.3	claims of clearing participants		1 618 292	1 618 292	180 515	3 429 264	3 429 264	251 063

Pos. No.	Item	Note number	At the reporting date: Value of assets (instruments) measured using standardised approach	At the reporting date: Assets (instruments) less provisions for possible losses	At the reporting date: Value of risk-weighted assets (instruments)	At the beginning of the reporting year: Value of assets (instruments) measured using standardised approach	At the beginning of the reporting year: Assets (instruments) less provisions for possible losses	At the beginning of the reporting year: Value of risk-weighted assets (instruments)
2.2	total assets with higher risk ratios, including:		6 532 540	5 801 987	8 595 188	6 570 076	6 435 647	8 632 100
2.2.1	with 110% risk ratio		274 608	269 480	296 428	2 561 157	2 552 477	2 807 724
2.2.2	with 130% risk ratio		0	0	0	1 999	1 899	2 469
2.2.3	with 150% risk ratio		6 257 932	5 532 507	8 298 760	4 006 920	3 881 271	5 821 907
2.2.4	with 250% risk ratio		0	0	0	0	0	0
2.2.5	with 1 250% risk ratio		0	0	0	0	0	0
2.2.5.1	on assignment of cash claims, including those certified with mortgage, to mortgage agents or specialised entities		0	0	0	0	0	0
3	**Total consumer loans, including:**		**9 896**	**9 388**	**9 388**	**17 908**	**16 968**	**16 968**
3.1	with 140% risk ratio		0	0	0	0	0	0
3.2	with 170% risk ratio		0	0	0	0	0	0
3.3	with 200% risk ratio		0	0	0	0	0	0
3.4	with 300% risk ratio		0	0	0	0	0	0
3.5	with 600% risk ratio		0	0	0	0	0	0
4	**Total credit risk for credit related contingencies, including:**		32 049 343	31 722 476	11 571 023	**44 356 586**	**43 857 522**	**15 107 240**
4.1	for high-risk financial instruments		21 023 222	20 973 960	11 519 320	34 335 845	34 078 904	15 020 828
4.2	for medium-risk financial instruments		0	0	0	0	0	0
4.3	for low-risk financial instruments		818 512	818 512	51 703	992 061	992 061	86 412
4.4	for risk-free financial instruments		10 207 609	9 930 004	0	9 028 680	8 786 557	0
5	**Credit risk for derivative financial instruments**		**0**		**1 505 000**	**0**		**2 022 443**

Subsection 2.2. Operational risk

RR'000 (number of)

Pos. No.	Item	Note number	At the reporting date	At the beginning of the reporting year
6	**Total operational risk, including:**	5.2.3	**913 581**	**713 426**
6.1	Total income for the purposes of calculating capital allocated for coverage of operational risk, including:		6 090 539	4 756 171
6.1.1	net interest income		736 631	565 252
6.1.2	net non-interest income		5 353 908	4 190 919
6.2	Number of years before the date of operational risk calculation		3	3

Subsection 2.3. Market risk

RR'000

Pos. No.	Item	Note number	At the reporting date	At the beginning of the reporting year
7	**Total aggregated market risk, including:**	5.2.2	**1 052 381**	**574 534**
7.1	total interest rate risk, including:		84 191	45 963
7.1.1	general		84 191	43 003
7.1.2	special		0	2 960
7.1.3	gamma risk and vega risk under options included in the interest rate risk calculation		0	0
7.2	total equity risk, including:		0	0
7.2.1	general		0	0
7.2.2	special		0	0
7.2.3	gamma risk and vega risk under options included in the stock market risk calculation		0	0
7.3	total currency risk, including:		0	0
7.3.1	gamma risk and vega risk under options included in the currency risk calculation		0	0
7.4.	total commodity risk, including:		0	0
7.4.1	basic commodity risk		0	0
7.4.2	additional commodity risk		0	0
7.4.3	gamma risk and vega risk under options included in the commodity risk calculation		0	0

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

RR'000

Pos. No.	Item	Note number	At the reporting date	Increase (+)/decrease (-) for the reporting period	At the beginning of the reporting year
1	**Total actual provision for possible losses, including:**	2.2, 4.3..	**1 133 490**	**441 852**	**691 638**
1.1.	for impairment of loans, borrowings and similar debt		758 924	603 218	155 706
1.2	for impairment of other balance sheet assets subject to the loss risk and other losses		47 699	10 831	36 868
1.3	for impairment of credit-related contingencies and securities the rights to which are ascertained by the depositories that do not meet the requirements of the Bank of Russia and are recorded on off-balance sheet accounts		326 867	(172 197)	499 064
1.4	for transactions with residents of offshore zones		0	0	0

Section 4. Information on the financial leverage ratio

Pos. No.	Item	Note number	Value at the reporting date	Value at the date one quarter before the reporting date	Value at the date two quarters before the reporting date	Value at the date three quarters before the reporting date
1	Core capital, RR'000		11 305 377	12 304 529	12 304 453	9 766 300
2	Amount of balance sheet assets and off-balance sheet receivables at risk for the purpose of the financial leverage ratio calculation, RR'000	4.4.	55 395 057	62 327 526	55 312 561	69 986 399
3	**Financial leverage ratio under Basel III, %**		**20.4**	**19.7**	**22.2**	**14.0**

Section 5. Key features of equity instruments

Pos. No.	Feature of equity instruments	Description of the instrument's feature	Description of the instrument's feature	Description of the instrument's feature
1	Short firm title of the equity instrument's issuer	COMMERZBANK (EURASIJA) AO	COMMERZBANK (EURASIJA) AO	COMMERZBANK (EURASIJA) AO
2	Instrument's ID	Registration No. 10103333B	Registration No. 10103333B (001D)	Registration No. 10103333B (002D)
3	Applicable law	RUSSIAN FEDERATION	RUSSIAN FEDERATION	RUSSIAN FEDERATION
Regulatory requirements				
4	Equity level where instrument is included during Basel III transition period	Tier 1 capital	Tier 1 capital	Tier 1 capital
5	Equity level where instrument is included after Basel III transition period	Tier 1 capital	Tier 1 capital	Tier 1 capital
6	Consolidation where the instrument is included in the equity	on individual basis	on individual basis	on individual basis
7	Type of the instrument	ordinary shares	ordinary shares	ordinary shares
8	Value of instrument that is included in the equity calculation	RR 305 600 thousand	RR 600 000 thousand	RR 1 250 000 thousand
9	Nominal amount of the instrument	RR 50 thousand per 1 share1	RR 50 thousand per 1 share1	RR 50 thousand per 1 share1
10	Classification of the instrument for accounting purposes	share capital	share capital	share capital
11	Date of issue (raising, placement) of the instrument	10.12.1998	15.11.2004	24.09.2010

Pos. No.	Feature of equity instruments	Description of the instrument's feature	Description of the instrument's feature	Description of the instrument's feature
12	Term of the instrument, if any	unlimited	unlimited	unlimited
13	Maturity date of the instrument	unlimited	unlimited	unlimited
14	Right for early repurchase (redemption) of the instrument, as agreed with the Bank of Russia	No	No	No
15	Initial date(s) of potential exercise of rights of early repurchase (redemption) of the instrument, conditions of the exercise of such rights and the amount of repurchase (redemption)	N/A	N/A	N/A
16	Subsequent date(s) of exercise of rights of early repurchase (redemption) of the instrument	N/A	N/A	N/A
Interest/ dividends/ coupon yield				
17	Type of interest rate under the instrument	N/A	N/A	N/A
18	Interest rate	N/A	N/A	N/A
19	Presence of conditions for terminating dividend payments under ordinary shares	No	No	No
20	Obligatory dividend payments	fully at the discretion of a credit institution	fully at the discretion of a credit institution	fully at the discretion of a credit institution
21	Presence of conditions providing for the increase in payments under the instrument and other drivers for early repurchase (redemption) of the instrument	No	No	No
22	Nature of payments	non-cumulative	non-cumulative	non-cumulative
23	Convertibility of the instrument	non-convertible	non-convertible	non-convertible
24	Conditions triggering the instrument conversion	N/A	N/A	N/A
25	Conversion, in full or in part	N/A	N/A	N/A
26	Conversion rate	N/A	N/A	N/A
27	Obligation to convert	N/A	N/A	N/A
28	Equity level of the instrument to which the instrument is converted	N/A	N/A	N/A
29	Short firm title of the issuer to whose equity instrument the instrument is converted	N/A	N/A	N/A
30	Ability to write down the instrument for covering losses	No	No	No
31	Conditions triggering the instrument's write-off	N/A	N/A	N/A
32	Write-off, in full or in part	N/A	N/A	N/A
33	Permanent or temporary write-off	N/A	N/A	N/A
34	Reversal mechanism	N/A	N/A	N/A
35	Subordinated nature of the instrument	N/A	N/A	N/A
36	Compliance with the requirements of Regulation of the Bank of Russia No. 395-P and Regulation of the Bank of Russia No. 509-P	Yes	Yes	Yes
37	Description of exceptions	N/A	N/A	N/A

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

(explanatory note 4.3)

1. Provision (additional charge to the provision) in the reporting period (RR'000), total 754 329, including as a result of the following:
1.1. new loans issued 386 387;
1.2. changes in loan quality 343 601;
1.3. changes in the official exchange rate of foreign currencies to Russian Rouble, set by the CBRF, 22 869;
1.4. other reasons 1 472.

2. Release (decrease) of the provision in the reporting period (RR'000), total 151 111, including as a result of the following:
2.1. writing off bad loans 0;
2.2. loan repayment 102 252;
2.3. change in the quality of the existing loans 0;
2.4. changes in the official exchange rate of foreign currencies to Russian Rouble, set by the CBRF, 48 859;
2.5. other reasons 0.

Chairman of the Management Board	K. Runde
Chief Accountant	A. Gorokhovskiy

27 April 2017

Bank financial statements

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

INFORMATION ON MANDATORY RATIOS, FINANCIAL LEVERAGE RATIO AND LIQUIDITY COVERAGE RATIO
(published form)

At 1 January 2017

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

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

OKUD Form Code 0409813
Quarterly (annual)

Section 1. Information on mandatory ratios

Pos. No.	Item	Note number	Ratio	Actual value at the reporting date	Actual value at the beginning of the reporting year
1	Core (CET1) capital adequacy ratio (H1.1)	4.3., 4,4,, 5,3,	4.5	26.8	20.4
2	Tier 1 capital adequacy ratio (H1.2)	4.3., 4,4,, 5,3	6.0	26.8	20.4
3	Own (regulatory) capital adequacy ratio H1.0)	4.3., 4,4,, 5,3	8.0	28.8	25.6
4	Own (regulatory) capital adequacy ratio of non-banking settlement credit institutions (RNKO) (H1.3)				
5	Quick liquidity ratio (H2)	4.4., 5.2.4	15.0	83.1	87.3
6	Current liquidity ratio (H3)	4.4., 5.2.4	50.0	100.3	72.1
7	Long-term liquidity ratio (H4)	4.4., 5.2.4	120.0	24.0	32.4
8	Maximum risk per one borrower or a group of related borrowers ratio (H6)	4.4.	25.0	Maximum 21.0 Minimum 0.0	Maximum 21.6 Minimum 0.0
9	Maximum risk of large credit exposure ratio (H7)	4.4.	800.0	133.4	196.5
10	Maximum amount of loans, bank guarantees granted by the bank to its participants (shareholders) ratio (H9.1)		50.0	0.0	0.0
11	Aggregate risk on exposure of the bank's insiders ratio (H10.1)		3.0	0.0	0.0
12	Equity used to acquire shares (participatory interests) in other legal entities ratio (H12)		25.0	0.0	0.0
13	Liquid assets maturing within 30 calendar days to the amount of liabilities of non-banking settlement credit institutions ratio (RNKO) (H15)				
14	Equity/capital adequacy of non-banking settlement credit institutions (RNKO) (H15.1)				

Pos. No.	Item	Note number	Ratio	Actual value at the reporting date	Actual value at the beginning of the reporting year
15	Maximum aggregate loans to customers – participants of settlements – for settlement completion (H16)				
16	Loans granted by non-banking settlement credit institutions (RNKO) on their behalf and on their own account to borrowers, except customers which are settlement system participants ratio (H16.1)				
17	Minimum ratio of mortgage coverage to issued bonds with mortgage coverage (H18)				
18	Maximum risk ratio per borrower or group of related borrowers of a banking group (H21)				

Section 2. Information about calculation of the financial leverage ratio

Subsection 2.1. Calculation of balance sheet assets and off-balance sheet receivables at risk for the purpose of the financial leverage ratio calculation

Pos. No.	Item	Note number	Amount
1	Total assets according to the balance sheet (published form):		33 555 648
2	Adjustment of investments in the capital of credit, finance, insurance and other entities whose reporting data is included in consolidated financial statements but excluded from calculation of equity (capital), statutory ratios and amounts (limits) of open currency positions of banking group		not applicable for financial statements of a credit institution as a legal entity
3	Adjustment of fiduciary assets recorded in accordance with accounting rules but excluded from calculation of the financial leverage ratio		0
4	Adjustment of derivative financial instruments (derivatives)		40 522
5	Adjustment of lending transactions with securities		0
6	Adjustment to discount contingent credit related commitments to the credit equivalent		22 130 663
7	Other adjustments		3 970 986
8	**Total amount of balance sheet assets and off-balance sheet receivables at risk, including adjustments for the purpose of the financial leverage ratio calculation:**	4.4.	51 755 847

Subsection 2.2. Calculation of the financial leverage ratio

Pos. No.	Item	Note number	Amount
Risk related to balance sheet assets			
1	Total balance sheet assets:		29 584 662
2	Diminishing adjustment for the amount of indicators that reduce the amount of the regulatory core capital sources		0
3	Total balance sheet assets at risk, including the adjustment (difference of lines 1 and 2):		29 584 662
Risk related to transactions with derivatives			
4	Total current credit risk related to transactions with derivatives (less variable margin received):		3 269 800
5	Total potential credit risk per counterparty related to transactions with derivatives:		409 932
6	Adjustment for the nominal amount of collateral provided against transactions with derivatives to be written off the balance sheet in accordance with accounting rules		in accordance with Russian accounting rules – not applicable
7	Diminishing adjustment for the amount of the transferred variable margin to the extent applicable		0
8	Adjustment of claims of a bank – clearing participant to the central counterparty related to execution of clients' transactions		0
9	Adjustment to incorporate credit risk in relation to the underlying asset on issued credit derivatives		0
10	Diminishing adjustment of issued credit derivatives		0
11	Total amount of risk related to derivatives, including adjustments (sum of lines 4, 5, 9 less lines 7, 8, 10):		3 679 732
Risk related to lending transactions with securities			
12	Total claims on lending transactions with securities (without netting):		0
13	Adjustment for the amount of netting of the monetary part (claims and liabilities) on lending transactions with securities		0
14	Amount of credit risk per counterparty related to lending transactions with securities		0
15	Amount of credit risk related to guarantee lending transactions with securities		0
16	Total claims on lending transactions with securities, including adjustments (sum of lines 12, 14, 15 less line 13):		0
Risk associated with contingent credit related commitments			

Pos. No.	Item	Note number	Amount
17	Total nominal amount of risk associated with contingent credit related commitments:		31 722 476
18	Adjustment related to the credit equivalent ratio application		9 591 813
19	Total amount of risk associated with contingent credit related commitments, including adjustments (difference of lines 17 and 18):		22 130 663
Capital and risks			
20	Tier 1 capital		11 305 377
21	Total amount of balance sheet assets and off-balance sheet receivables at risk for the purpose of financial leverage ratio calculation (sum of lines 3, 11, 16, 19):	4.4.	55 395 057
Financial leverage ratio			
22	Financial leverage ratio under Basel III (line 20 / line 21), %		**20.4**

Chairman of the Management Board К. Runde

Chief Accountant A. Gorokhovskiy

27 April 2017

Bank financial statements

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

STATEMENT OF CASH FLOWS (published form)

At 1 January 2017

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

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

OKUD Form Code 0409814

Quarterly (Annual)
RR'000

Pos. No.	Item	Note number	Cash flows for the reporting period	Cash flows for the previous reporting period
1	**Net cash from / used in operating activities**			
1.1.	Total cash from (used in) operating activities before changes in operating assets and liabilities, including:		**3 880 938**	**(2 240 849)**
1.1.1	interest received		1 538 000	2 113 560
1.1.2	interest paid		(638 546)	(987 203)
1.1.3	commissions received		537 267	530 385
1.1.4	commissions paid		(109 761)	(146 498)
1.1.5	income less expenses on transactions with financial assets at fair value through profit or loss available for sale		2 483 958	(876 814)
1.1.6	income less expenses on transactions with securities held to maturity		0	0
1.1.7	income less expenses on foreign exchange transactions		1 955 288	(1 761 309)
1.1.8	other operating income		114 160	147 117
1.1.9	operating expenses		(1 197 880)	(1 232 335)
1.1.10	income tax expenses / refund		(801 548)	(27 752)
1.2	Total increase (decrease) in net cash from operating assets and liabilities, including:		**(11 881 324)**	**13 312 466**
1.2.1	net increase / decrease in mandatory reserves with the Bank of Russia		(62 500)	48 411
1.2.2	net increase (decrease) in investments in securities at fair value through profit or loss		0	0
1.2.3	net increase (decrease) in debt		1 319 650	35 602 586
1.2.4	net increase (decrease) in other assets		(83 924)	(968 093)
1.2.5	net increase (decrease) in loans, deposits and other funds of the Bank of Russia		0	0
1.2.6	net increase (decrease) in amounts due to other credit institutions		(7 782 758)	(21 056 795)
1.2.7	net increase (decrease) in amounts due to customers (non-credit institutions)		(5 341 351)	(52 170)
1.2.8	net increase (decrease) in financial liabilities at fair value through profit or loss		0	0
1.2.9	net increase (decrease) in debt securities issued		(16 389)	16 245
1.2.10	net increase (decrease) in other liabilities		85 948	(277 718)

Pos. No.	Item	Note number	Cash flows for the reporting period	Cash flows for the previous reporting period
1.3	**Total for Section 1 (Pos. No. 1.1 + Pos. No. 1.2)**		**(8 000 386)**	**11 071 617**
2	**Net cash from / used in investing activities**			
2.1	Acquisition of securities and other financial assets relating to the category “available for sale”		(1 399 863)	(763 291)
2.2	Proceeds from sale and redemption of securities and other financial assets relating to the category “available for sale”		527 148	1 090 932
2.3	Acquisition of securities relating to the category “held to maturity”		0	0
2.4	Proceeds from redemption of securities relating to the category “held to maturity”		0	0
2.5	Acquisition of premises and equipment, intangible assets and inventories		(26 918)	(22 428)
2.6	Proceeds from the sale of premises and equipment, intangible assets and inventories		2 356	1 181
2.7	Dividend income received		0	0
2.8	**Total for Section 2 (sum of Pos. No. 2.1–2.7)**		**(897 277)**	**306 394**
3	**Net cash from / used in financing activities**			
3.1	Contributions of shareholders (participants) to the charter capital		0	0
3.2	Acquisition of treasury shares (participatory interests) redeemed from the shareholders (participants)		0	0
3.3	Sale of treasury shares (participatory interests), redeemed from the shareholders (participants)		0	0
3.4	Dividends paid		(1 000 000)	(2 000 000)
3.5	**Total for Section 3 (sum of Pos. No. 3.1–3.4)**		**(1 000 000)**	**(2 000 000)**
4	**Effect of changes in official foreign currency exchange rates to the Rouble set by the Bank of Russia on cash and cash equivalents**		(2 113 574)	**1 555 689**
5	**Increase/ decrease in cash and cash equivalents**		**(12 011 237)**	**10 933 700**
5.1	Cash and cash equivalents at the beginning of the reporting period		18 812 362	7 878 662
5.2	Cash and cash equivalents at the end of the reporting period	4.5.	6 801 125	18 812 362

Chairman of the Management Board K. Runde

Chief Accountant A. Gorokhovskiy

27 April 2017

EXPLANATORY NOTE

Name of the credit institution:
COMMERZBANK (EURASIJA) AO

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

General banking licence:
3333

During the reporting period the above details, except for the name of the credit institution, remained unchanged from the previous period.

On 12 May 2016, the Bank received the notification on the registration of amendments to the Bank's Charter from the Bank of Russia. According to the new version, the name of the Bank was changed to COMMERZBANK (EURASIJA) AO (formerly, COMMERZBANK (EURASIJA) SAO). Other details have not been changed.

INTRODUCTION

COMMERZBANK (EURASIJA) AO (hereinafter, the "Bank") presents its 2016 annual accounting (financial) statements (hereinafter, the "Annual financial statements") prepared in accordance with the accounting and reporting rules currently effective in the Russian Federation.

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

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

The Bank's annual financial statements are planned to be approved by the decision of the Sole Shareholder before 30 June 2017. The fact of approval is disclosed on the Bank's Internet site (www.commerzbank.ru).

This Explanatory Note to annual financial statements for 2016 is presented in thousands of the Russian Roubles, unless otherwise stated.

1. INFORMATION ON THE CREDIT INSTITUTION'S BANKING GROUP

The Bank is not a head of any banking (consolidated) group or a member of any banking holding ("group" and "holding" as defined according to the Russian law). However, the Bank is a 100% subsidiary of Commerzbank AG, one of the largest German banks, which means that the Bank is a member of a foreign banking group. As at February 2017, Commerzbank AG had the following shareholding structure:

- below 5% of shares belong to BlackRock (BlackRock Inc., NY USA);
- below 5% of shares belong to Deutsche Bank;
- approximately 50% belong to institutional investors with lower ownership share;
- approximately 25% are owned by individuals, mostly by German residents.

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

Commerzbank Group is a major international banking group represented in more than 50 countries. The Group's two business segments (segment of private clients and small businesses and segment of corporate clients) offer a wide range of financial services to their clients. Commerzbank Group finances 30% of Germany's cross-border turnover, and the Group is the leader in Germany's corporate financing. The Group includes Comdirect in Germany and mBank in Poland, which rank among the most innovative on-line banks worldwide. Also, Commerzbank AG has one of the most significant branch networks (around 1,000 branches) among private German banks. Commerzbank Group serves over 17.5 million private customers and small business representatives, and more than 60,000 corporate clients, multinational corporations, financial sector companies and institutional clients. Commerzbank Group's revenue was EUR 9.4 billion for 2016, and Commerzbank Group had 49,900 employees.

As of the end of 2016, Commerzbank AG had the following long-term credit ratings:: Baa1 (Moody's), BBB+ (S&P) and BBB+ (Fitch). As of the date of these Annual financial statements, Fitch rating was increased to A2 (Moody's), A- (S&P Global) and A- (Fitch).

Consolidated financial statements of Commerzbank Group for 2016 are published on the Bank's Internet site www.commerzbank.com.

The Bank's liabilities are secured by a letter of comfort from Commerzbank AG (see the 2016 Annual Report of Commerzbank Group, page 264):

https://www.commerzbank.com/media/aktionaere/service/archive/konzern/2017/Geschaeftsbericht_2016_Konzern_EN.pdf

2. SUMMARY OF OPERATIONS OF THE CREDIT INSTITUTION

2.1 THE BANK'S PROFILE

Commerzbank AG was among the first foreign banks to open a representative office in Russia. In 1993, Dresdner Bank ZAO, a subsidiary bank of Dresdner Bank AG, started operating in Saint Petersburg. In 1999, Commerzbank (Eurasija), Closed Joint-Stock Company, a 100% subsidiary of Commerzbank AG, obtained a banking licence in Moscow. Following the merger of two banks under the Commerzbank trademark in 2010, Commerzbank (Eurasija) AO (SAO until 2016), with the head office in Moscow and a branch in Saint Petersburg, continues its operations in Russia.

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

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

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

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

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

The Bank is corporate client-oriented. Transactions with individuals account for an insignificant percentage of the Bank's total operations.

2.2 KEY PERFORMANCE INDICATORS AND FACTORS THAT HAD AN IMPACT ON THE FINANCIAL PERFORMANCE OF THE CREDIT INSTITUTION IN THE REPORTING YEAR

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

Table 2.2.1

Item	01.01.2017 (RR'000)	01.01.2016 (RR'000)	Changes (RR'000)	(%)
Bank's equity (capital)	**12 137 261**	**12 241 273**	-104 012	-0.8
Total assets	**33 555 648**	**51 282 816**	-17 727 168	-34.6
including:				
Net loans outstanding	17 340 453	21 431 143	-4 090 690	-19.1
Including:				
deposits with the Bank of Russia	1 000 000	0	1 000 000	0.0
credit institutions	6 219 778	1 182 338	5 037 440	426.1

Item	01.01.2017 (RR'000)	01.01.2016 (RR'000)	Changes (RR'000)	(%)
customers	10 120 675	20 248 805	-10 128 130	-50.0
Total liabilities	**21 402 209**	**39 002 250**	-17 600 041	-45.1
including:				
customer accounts	16 601 372	24 760 162	-8 158 790	-33.0
amounts due to credit institutions	3 213 222	11 461 406	-8 248 184	-72.0

The Bank's assets decreased by RR 17 727 168 thousand (34.6%) during 2016. Assets decreased primarily through the decrease in the amounts recorded in the Bank's correspondent accounts with the Bank of Russia (by RR 11 608 414 thousand), net loans outstanding (by RR 4 090 690 thousand) and fair value of derivative financial instruments (by RR 2 290 188 thousand). The dynamics in loans outstanding were mixed for different counterparty categories: there was a decrease for corporate clients (by RR 10 128 130 thousand) and increase for interbank placements, including placements with the Bank of Russia (by RR 6 037 440 thousand). The Bank's liabilities decreased mainly due to the decrease in the amounts due to banks (by RR 8 248 184 thousand) and customer accounts, other than credit institutions (by RR 8 158 790 thousand), which was attributed to scheduled repayments of interbank loans raised and corporate deposits, which are mostly of short-term nature, as well as to more active use of cash on current and correspondent accounts by customers and counterparties.

In the reporting period, the amount of financial assets and liabilities at fair value through profit or loss was reduced due to the revaluation of outstanding derivative financial instruments at fair value, which was, in turn, mostly influenced by the changes in the exchange rates of foreign currencies against the Russian Rouble.

The Bank's equity (capital) decreased slightly (by RR 104 012 thousand, or by 0.8%), which was in line with the Bank's net profit and dividends paid by the Bank for the reporting period.

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

Table 2.2.2

Item	for 2016 (RR'000)	for 2015 (RR'000)	Changes (RR'000)	(%)
Interest Income	1 550 374	2 057 978	-507 604	-24.7
including that from investments in securities	261 388	195 444	65 944	33.7
Interest expense	(602 076)	(997 664)	-395 588	-39.7
Net interest income	948 298	1 060 314	-112 016	-10.6
Gains/(losses) from changes in loan and interest provisions	(603 218)	(28 061)	-575 157	-2 049.7
Net interest income less provisions	345 080	1 032 253	-687 173	-66.6
Net gains on transactions with securities and other financial assets at fair value through profit or loss, including:	872 018	1 041 868	-169 850	-16.3
on transactions with securities	0	0	0	0.0
on transactions with derivative financial instruments related to foreign-currency denominated assets	862 054	1 066 386	-204 332	-19.2
on transactions with derivative financial instruments without foreign-currency denominated assets (single currency interest rate swaps)	9 964	(24 518)	34 482	140.6
Net gain on foreign exchange transactions and revaluation of foreign currency	657 655	2 320 870	-1 663 215	-71.7
Fee and commission income	535 884	533 911	1 973	0.4
Fee and commission expense	(109 761)	(146 498)	-36 737	-25.1
Gains/(losses) from changes in the provision for other losses	129 044	(332 394)	461 438	138.8
Net income (expense)	2 547 131	4 558 990	-2 011 859	-44.1
Operating expenses	(1 345 391)	(1 268 546)	76 845	6.1
Profit before tax	1 201 740	3 290 444	-2 088 704	-63.5
Taxes accrued (including income tax)	(375 640)	(752 828)	-377 188	-50.1
Profit for the reporting period	**826 100**	**2 537 616**	-1 711 516	-67.4

In the reporting period, the Bank's profit decreased by RR 1 711 516 thousand (-67.4%) compared to 2015. The Bank's profit fell mostly due to a decrease in the result from currency transactions, including net gain from dealing in foreign currencies, revaluation of foreign currency balances and gain from transactions with derivatives related to foreign currency-denominated assets.

The result of currency transactions decreased in the aggregate by RR 1 867 547 thousand (-55.1%), from RR 3 387 256 thousand to RR 1 519 709 thousand. This reduction was driven mainly by a decrease in the currency transactions to their normal level seen in the previous years which is attributed to the financial market stabilisation in 2016 compared to 2015.

The changes in the results on other items were less significant and their dynamics were mixed. The changes in the following items should be noted:

- in the reporting period, net interest income (before the expense on provision charge for impairment) went down as compared to 2015 by RR 112 016 thousand (10.6%), which is attributable to the aggregate effect of lower Rouble-denominated interest rates and reduced volume of corporate loan portfolio;
- counter changes in loan provisions (growth of expenses for provision charge) and provisions for other losses (growth of gains from provision recovery) that compensated each other to a significant extent. In 2016, total provision for possible losses was RR 474 174 thousand, which is RR 113 719 thousand higher than in 2015. In 2016, provision grew at the background of falling total corporate loan portfolio’s volume, and this growth was attributed to establishing provisions for 100% of overdue debt due from a single borrower. For comparison, provisions for impairment of the above debt calculated under IFRS (disclosed in the Bank’s financial statements prepared under IFRS) are significantly lower. This is due to a conservative approach applied to accounting for collateral when calculating loan provisions in accordance with the Bank of Russia’s Regulation No. 254-P;
- reduction of tax expenses by RR 377 188 thousand, which is mainly attributable to lower income tax expense due to decreased profit;
- in the reporting period, operating expenses increased compared to the similar period of 2015 by RR 76 845 thousand (by 6.1%), which was to a significant extent a result of forex and inflation effects.

2.3 DECISIONS ON NET PROFIT DISTRIBUTION AND DIVIDEND PAYMENTS

In 2016, the Bank paid dividends from prior years’ retained earnings in the total amount of RR 1 000 000 thousand (2015: RR 2,000,000 thousand). In 2016 and 2015, at the decision of the Bank's Sole Shareholder the prior year's profit was retained by the Bank.

Information on dividends paid in 2017 is disclosed in Section 3 of this Explanatory Note (“Information on non-adjusting subsequent events”).

2.4 INFORMATION ON THE RELATIONSHIP WITH THE EXTERNAL AUDITOR

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

Neither this firm nor its employees are affiliated with the Bank or have any property interests in the Bank. During 2016 reporting year, services provided to the Bank by the external auditor and its affiliated parties in addition to the audit of these annual financial statements and IFRS financial statements were immaterial and did not exceed 2% of the audit fee.

2.5 OPERATING ENVIRONMENT

The Russian Federation displays certain characteristics of an emerging market. Its economy is sensitive to oil and gas prices. The tax, currency and customs regulatory frameworks within the Russian Federation continue to develop and are subject to frequent changes and varying interpretations. Low oil prices, continuing political tensions in the region, as well as international sanctions against Russian companies and individuals had a negative impact on the Russian economy in 2016. The above resulted in the economic downturn in Russia, which is characterised by declining gross domestic product. Financial markets continue to demonstrate lack of stability, frequent and material changes in prices and increased spreads on trade transactions. Russia's credit rating was downgraded to below investment grade.

This operating environment has a significant impact on the Bank's operations and its financial position. Management is taking necessary steps to ensure sustainability of the Bank's operations. However, the future impact of the current economic situation is difficult to predict, and the current expectations and assessments by the management may differ from actual results.

3. SUMMARY OF THE BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

3.1 PRINCIPLES AND METHODS OF MEASUREMENT AND RECOGNITION OF MATERIAL TRANSACTIONS AND EVENTS

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

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

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

3.2 BASIS OF ACCOUNTING FOR BALANCES OF CREDIT INSTITUTIONS WITH THE CENTRAL BANK OF THE RUSSIAN FEDERATION

This line item of the Bank's balance sheet is formed by balances generated on the correspondent accounts opened by the Bank with the Head Office of the Bank of Russia in the Central Federal District of Moscow and in the Head Cash and Settlement Centre of the Head Office of the Central Bank of the Russian Federation in St Petersburg and by balances transferred by the Bank as a part of depositing mandatory reserves with the Bank of Russia by credit institutions.

3.3 BASIS OF ACCOUNTING FOR AMOUNTS DUE FROM CREDIT INSTITUTIONS

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

3.4 BASIS OF ACCOUNTING FOR LOANS OUTSTANDING

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

The Bank's accounting policy regarding these transactions is designed based on “Accounting Rules for Credit Institutions Located in the Russian Federation” No. 385-P of 16 July 2012.

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

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

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

3.5 BASIS OF ACCOUNTING FOR PREMISES AND EQUIPMENT AND THEIR DEPRECIATION

Premises and equipment

Premises and equipment with the value exceeding RR 100 thousand (without VAT) and useful life over 12 months are recorded at cost, including the initial costs of acquisition, delivery, installation, manufacturing and bringing to a serviceable condition, including VAT, less accumulated depreciation of premises and equipment and accumulated impairment losses.

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

The cost of premises and equipment also includes the following items, when material:

- maintenance costs, if they meet the criteria for recognition of PP&E;
- future costs of liquidation of the premises and equipment item.

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the financial result for the year.

Depreciation and amortisation

Depreciation on depreciable premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their useful lives. The following useful lives were used for the items recorded within premises and equipment:

	Useful lives in months (years)
1. Computer hardware	25–60 months (2–5 years)
2. Cash services equipment	37–61 months (3–5 years)
3. Copying machines	37–60 months (3–5 years)
4. Office furniture	61 months (5 years)
5. Non-production interior objects	not accrued

	Useful lives in months (years)
6. Office equipment	61–241 months (5–20 years)
7. Security systems	396 months (33 years)
8. Other office items	37–121 months (3–10 years)
9. Telecommunication equipment	36–85 months (3–7 years)
10. Telephone equipment	61–121 months (5–10 years)
11. Motor vehicles	60 months (5 years)

Useful lives applied to intangible assets vary from 12 to 120 months (1 to 10 years).

Expenses related to inseparable leasehold improvements under lease agreements that are not reimbursed to the Bank by the lessors and meet the criteria for recognition within premises and equipment are recorded within premises and equipment of the Bank, and those that do not meet such criteria are recorded within the financial result.

3.6 BASIS OF ACCOUNTING FOR INVESTMENTS IN SECURITIES

Trading securities

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

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

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

Securities available for sale

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

Securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is recognised in the financial result for the year. Revaluation at fair value is recognised within equity until the security is derecognised or impaired, at which time the cumulative gain or loss is reclassified from equity to the financial result for the year. Impairment losses are recognised in the financial result for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of securities available for sale. A significant or prolonged decline in the fair value of a security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from equity to the financial result for the year. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the financial result for the year.

3.7 BASIS OF ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS (DERIVATIVES)

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

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

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

3.8 BASIS OF ACCOUNTING FOR IMPAIRMENT PROVISIONS

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

3.9 CUSTOMER ACCOUNTS

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

3.10 ACCOUNTING FOR INCOME AND EXPENSE

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

The financial result is determined cumulatively during the reporting year.

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

3.11 NATURE OF ASSUMPTIONS AND PRINCIPAL SOURCES OF UNCERTAINTY AT THE END OF THE PERIOD

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

Fair value of financial instruments

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

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

(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(ii) level two measurements are obtained using valuation techniques with all material inputs observable for the asset or liability either directly or indirectly (that is, as prices), and

(iii) level three measurements are valuations that are not based on observable market data.

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

Tax legislation

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

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 the Bank believes that the tax positions and interpretations taken by the Bank can be sustained, there is a possible risk that outflow of resources will be required, should such tax positions and interpretations be challenged by the relevant tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

Related party transactions

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

The Russian transfer pricing rules took effect in 1999. Significant amendments were made to the transfer pricing rules which became effective on 1 January 2012. The new transfer pricing rules are more detailed and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows tax authorities to assess additional taxes for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

The Bank believes that its pricing policy applied in 2016 and in prior years is at arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

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

3.12 INFORMATION ON ADJUSTING SUBSEQUENT EVENTS

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

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

3.13 INFORMATION ON NON-ADJUSTING SUBSEQUENT EVENTS

There were no non-adjusting events after the reporting date up to the date of this annual report, including that the Bank neither declared nor paid dividends.

3.14 CHANGES MADE TO THE ACCOUNTING POLICY

The Bank did not introduce any significant changes to the accounting policy for 2017.

The following key amendments were made to the accounting policy for 2016:

Accounting treatment for fixed and intangible assets:

- increased upper threshold for the value of PP&E up to RR 100 thousand (exclusive of VAT) (previously: RR 40 thousand (exclusive of VAT));
- accounting at cost of an acquisition less impairment (previously: at cost of an acquisition);
- including future upgrading costs and retirement of PP&E into the purchase price, discounting future obligations to incur costs (previously: costs were expensed in the period when maintenance and, accordingly, retirement of PP&E took place);
- accruing depreciation/amortisation charges starting from the purchase/ recognition date until disposal (previously: starting from the month following the purchase/ recognition date until the month of disposal inclusively);
- calculating depreciation/amortisation down to the residual cost (previously: depreciated to their full write-off);
- accounting for non-exclusive rights of claim, including those under licences/investments into software, as intangible assets (previously: the Bank accounted for such investments for the term of over 1 year as prepaid expenses).

Accounting treatment for income and expenses:

- change in the approach to accruing commissions under interest bearing credit transactions from immediate recognition to recognition over the term of the credit and non-recognition of such commissions for accounting purposes for debt with 4 to 5 quality categories (previously they were recognised);
- amortisation of premiums on securities is recorded on expense accounts (previously: net interest income was recorded on income accounts).

Accounting treatment for employee benefits:

- accruing annual bonuses in the same reporting period when such bonuses are designated, provided the expense is determinable;
- segregating settlements with personnel into short-term and long-term benefits;
- discounting long-term benefit obligations;
- accruing vacations;
- accruing liabilities on contributions to state non-budgetary funds together with the calculation of short-term and long-term obligations for settlements with personnel;
- including voluntary medical insurance expenses and some other expenses within other employee benefit expenses.

The above adjustments in the accounting treatment did not cause significant incomparability of information in the annual accounting (financial) statements for 2016 and 2015.

3.15 NATURE AND AMOUNT OF MATERIAL ERRORS OF PREVIOUS PERIODS

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

In 2015 and 2016, there were no cases of non-application of accounting rules in cases when they cannot fairly reflect the financial position and performance of the Bank.

4. EXPLANATORY NOTES TO THE ACCOUNTING REPORTING FORMS

4.1 EXPLANATORY NOTE TO THE BALANCE SHEET

4.1.1. CASH ON HAND

Table 4.1.1.1.
RR thousand

	2016	2015
Cash on hand	21 516	61 382
Accounts with the Central Bank of the Russian Federation	1 021 501	12 629 915
Less mandatory reserves	697 104	12 368 018
Correspondent accounts with credit institutions in the Russian Federation	136 776	1 651 834
Correspondent accounts with credit institutions in other countries	5 945 729	4 731 128
Total cash and cash equivalents	**6 801 125**	**18 812 362**

In the table above, the amount of cash and cash equivalents is shown net of amounts not included in Quality category 1 and restricted cash. At 1 January 2017, the excluded amount is RR 8 000 thousand (at 1 January 2016: RR 8 000 thousand).

4.1.2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

Table 4.1.2.1
RR thousand

	2016	2015
Derivative financial instruments	3 639 210	5 929 398
Total financial assets at fair value through profit and loss	**3 639 210**	**5 929 398**

At 1 January 2017 and 1 January 2016, no financial assets at fair value through profit or loss were pledged to third parties as collateral. The Bank classifies fair value measurements of derivative financial instruments to level 2 of the fair value hierarchy.

4.1.3. DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of open derivative financial instruments at 1 January 2017 based on Section II of Form 0409155 is as follows:

Table 4.1.3.1

RR thousand

Instrument	Fair value of assets	Fair value of liabilities	Receivable amount	Payable amount
Derivative financial instruments	**3 639 209**	**429 511**	**27 047 317**	**23 477 691**
including:				
Forward with underlying asset – foreign currency (deliverable)	485 137	149 373	10 506 510	9 991 246
Option with underlying asset – foreign currency	0	0	0	0
Swap with underlying asset – foreign currency (deliverable)	176 700	3 259	3 240 225	3 032 845
Swap with underlying asset – interest rate (non-deliverable)	32 199	22 958	3 355 263	3 355 263
Swap with underlying asset – interest rate and foreign currency (deliverable)	2 945 173	253 921	9 945 319	7 098 337

Analysis of open derivative financial instruments at 1 January 2016 based on the same source is as follows:

Table 4.1.3.2
RR thousand

Instrument	Fair value of assets	Fair value of liabilities	Receivable amount	Payable amount
Derivative financial instruments	**5 929 398**	**1 107 687**	**30 212 522**	**25 516 036**
including:				
Forward with underlying asset – foreign currency (deliverable)	485 500	688 393	12 526 070	12 743 758
Option with underlying asset – foreign currency	1 276	1 276	94 518	94 518
Swap with underlying asset – foreign currency (deliverable)	1 014 255	275 174	5 888 157	5 172 117
Swap with underlying asset – interest rate (non-deliverable)	15 727	8 141	1 504 500	1 504 500
Swap with underlying asset – interest rate and foreign currency (deliverable)	4 412 640	134 703	10 199 277	6 001 143

Tables 4.1.3.1–4.1.3.2 include derivative financial instruments, i.e. the transactions defined under Federal Law No. 39-FZ of 22 April 1996 “On Securities Market” or the international law or market convention. Deals with settlement dates no earlier than the third business day after entering into the transaction are not derivative financial instruments.

4.1.4. NET LOANS OUTSTANDING

The structure of loans outstanding is as follows:

Table 4.1.4.1
RR thousand

	01.01.2017	01.01.2016
Placements with the Bank of Russia	1 000 000	0
Interbank loans and deposits:	6 219 778	1 182 338
Short-term placements with banks	5 519 778	0
Other placements with banks	700 000	1 182 338
Legal entities	10 869 011	20 385 928
Corporate loans	10 463 591	19 999 154
Overdraft loans	405 420	386 774
Individuals – consumer loans	9 896	17 908
Provision for loan impairment	(758 232)	(155 031)
Total net loans outstanding	**17 340 453**	**21 431 143**

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

Table 4.1.4.2
RR thousand

	01.01.2017		01.01.2016	
	Amount	%	Amount	%
Loans to legal entities – Russian residents	10 869 011	99.91	20 385 928	99.91
including:				
Processing industries	5 071 675	46.62	8 348 499	40.91
Wholesale and retail trade, repairs	3 697 692	33.99	3 551 637	17.41
Mining	0	0.00	4 251 491	20.84
Real estate transactions, lease and services	1 000 000	9.19	2 271 304	11.13
Other activities	694 223	6.38	1 576 224	7.72
For completion of settlements (overdraft loans)	405 421	3.73	386 773	1.90
Consumer loans to individuals	9 896	0.09	17 908	0.09
Total loans outstanding (*)	**10 878 907**	**100.0**	**20 403 836**	**100**

(*) before provisions for possible losses

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

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

4.1.5. FINANCIAL INVESTMENT IN SECURITIES AND OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

This item includes only the Bank's investments in Russian government bonds – Federal loan bonds (OFZ). Analysis of investment in OFZ under this item of the Bank's balance sheet by the circulation period and coupon income is disclosed in the table below:

Table 4.1.5.1
RR thousand

	1 January 2017		1 January 2016	
	Circulation period	**Coupon income**	**Circulation period**	**Coupon income**
Russian government bonds	from 19 April 2017 to 15 May 2019	from 6.20% to 10.95%	from 3 August 2016 to 15 May 2019	from 6.00% to 11.98%

At 1 January 2017 and 1 January 2016, securities recorded within available-for-sale securities were not pledged to third parties as collateral.

4.1.6. PREMISES AND EQUIPMENT, INTANGIBLE ASSETS AND INVENTORY

There were no significant changes in the information presented in the relevant section of the annual financial statements.

Table 4.1.6.1
RR thousand

	Office and computer equipment	**Investments in manufacture and acquisition of premises and equipment**	**Total premises and equipment**	**Intangible assets**	**Inventory**	**Total**
Cost at 1 January 2015	238 230	1 239	239 469	-	2 417	241 886
Accumulated depreciation	(171 232)	-	(171 232)	-	-	(171 232)
Carrying value at 1 January 2015	**66 998**	**1 239**	**68 237**	-	**2 417**	**70 654**
Additions	-	22 278	**22 278**	-	2 673	**24 951**
Transfers	23 361	(23 361)	**-**	-	-	**-**
Disposals (at cost)	(11 934)	-	**(11 934)**	-	(2 523)	**(14 457)**
Disposals (accumulated depreciation)	11 867	-	**11 867**	-	-	**11 867**
Depreciation charge	(19 267)	-	**(19 267)**	-	-	**(19 267)**
Carrying value At 1 January 2016	**71 025**	**156**	**71 181**	**-**	**2 567**	**73 748**
Cost at 1 January 2016	249 657	156	249 813	-	2 567	252 380
Accumulated depreciation	(178 632)	-	(178 632)	-	-	(178 632)
Carrying value At 1 January 2016	**71 025**	**156**	**71 181**	**-**	**2 567**	**73 748**
Additions	-	21 873	**21 873**	10 254	1 976	**34 103**
Transfers	21 029	(21 029)	**0**			**0**
Disposals (at cost)	(75 773)	-	**(75 773)**	(696)	(3 855)	**(80 324)**
Disposals (accumulated	75 681	-	**75 681**	222	-	**75 903**

	Office and computer equipment	Investments in manufacture and acquisition of premises and equipment	Total premises and equipment	Intangible assets	Inventory	Total
depreciation)						
Depreciation charge	(22 862)	-	**(22 862)**	(2 181)	-	**(25 043)**
Carrying value						
At 1 January 2017	**69 100**	**1 000**	**70 100**	**7 599**	**688**	**78 387**
Cost at 1 January 2017	194 913	1 000	195 913	9 558	688	206 159
Accumulated depreciation	(125 813)	-	(125 813)	(1 959)	-	(127 772)

The above amount in line "Additions" in relation to intangible assets for 2016 includes initial recognition of intangible assets at 1 January 2016 in the amount of RR 9 488 thousand acquired prior to 1 January 2016. These assets were recognised due to the changes in accounting rules by way of a transfer from prepaid expense accounts to intangible asset accounts. This transfer did not result in significant incomparability of data in the balance sheet and income statement for 2015 and 2016.

In 2016 and 2015, the Bank did not pledge equipment as collateral to third parties.

At 1 January 2017, the amount of total contractual obligations related to acquisition of premises and equipment (future obligations to make payments under the contracts for acquisition of premises and equipment, where partial advance payment of future deliveries was made before the reporting date) was RR 2 089 thousand (1 January 2016: RR 15 102 thousand).

The Bank did not perform revaluation of premises and equipment. Impairment test for premises and equipment as of December 2016 demonstrated that there was no indication of an impairment.

4.1.7. OTHER ASSETS

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

Table 4.1.7.1
RR thousand

	2016	2015
Other financial assets		
Amounts due from clearing organisations	1 474 045	1 793 434
Interest receivable	41 162	63 278
Receivables on commissions	7 202	8 585
Other	7 080	1 159
Provision for possible losses (-)	(6 390)	(5 221)
Total other financial assets	**1 523 099**	**1 861 235**
Other non-financial assets		
Deferred expenses	7 379	25 016
Prepayments for services	2 396	23 753
Operating lease prepayments	32 525	14 314
Budget settlements on taxes	4 654	4 379
Settlements with staff	891	3 250
Accrued cash receivables for services provided	3 445	3 121
Provision for possible losses (-)	(42 001)	-
Total other non-financial assets	9 289	**73 833**
Total other assets	**1 532 388**	**1 935 068**

The structure of other assets by currency is as follows:

Table 4.1.7.2
RR thousand

	2016	2015
Russian rouble	46 861	116 919
US Dollar	11 949	51 791
Euro	1 473 578	1 766 358
Total other assets	**1 532 388**	**1 935 068**

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

4.1.8. BALANCES ON ACCOUNTS OF CREDIT INSTITUTIONS

Table 4.1.8.1
RR thousand

	2016	2015
Correspondent accounts	180 377	4 116 036
Overnight placements	0	0
Other received interbank placements and deposits	3 032 845	7 345 370
Total due to other banks	**3 213 222**	**11 461 406**

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

4.1.9. AMOUNTS DUE TO CUSTOMERS (NON-CREDIT INSTITUTIONS)

Table 4.1.9.1
RR thousand

	2016	2015
Legal entities	**16 601 077**	**24 755 919**
• Current/settlement accounts	10 459 131	16 038 816
• Term deposits	6 141 946	8 717 103
Individuals	**295**	**4 243**
• Current/demand accounts	295	4 243
• Term deposits	0	0
Total due to customers (non-credit institutions)	**16 601 372**	**24 760 162**

Economic sector concentrations within customer accounts are as follows:

Table 4.1.9.2
RR thousand

	2016		2015	
	Amount	%	Amount	%
Wholesale and retail trade, repairs	9 280 603	55.90%	13 424 013	54.23%
Processing industries	2 451 324	14.77%	4 865 789	19.66%
Construction	1 305 518	7.86%	1 656 596	6.69%
Research and development	903 278	5.44%	844 823	3.41%
Real estate transactions, lease and services	868 865	5.23%	1 242 248	5.02%
Information technologies and computer equipment	766 314	4.62%	1 333 215	5.39%
Financial services	536 260	3.23%	859 988	3.47%
Transport and communications	305 754	1.84%	391 362	1.58%
Mining	1370	0.01%	10395	0.04%
Other activities	181 791	1.10%	127 490	0.51%
Total customer accounts	**16 601 077**	**100%**	**24 755 919**	**100%**

4.1.10. DEBT SECURITIES ISSUED

	2016	2015
Interest-free promissory notes, RR thousand	-	16 400

The table below discloses the analysis of issued debt securities:

	1 January 2017		1 January 2016	
	Circulation period (date of placement – date of repayment)	Interest rates	Circulation period (date of placement – date of repayment)	Interest rates
Interest-free promissory notes	No		12/07/2015 – 26/07/2016	0%

At 1 January 2017 and 1 January 2016, the Bank had no overdue debt instruments.

4.1.11. OTHER LIABILITIES

Table 4.1.11.1
RR thousand

	2016	2015
Other financial liabilities		
Interest repayment liabilities	13 453	49 923
Trade payables	119 669	31 395
Outstanding transfers and settlements	53	0
Total other financial liabilities	**133 175**	**81 318**
Other non-financial liabilities		
Taxes payable other than taxes on income	19 026	22 428
Provision for non-credit related commitments	0	32 321
Deferred income	0	37
Accrued employee benefit costs	12 585	0
Settlements with accountable persons	7	28
Total other non-financial liabilities	**31 618**	**54 814**
Total other liabilities	**164 793**	**136 132**

The structure of other liabilities by currency is as follows:

Table 4.1.11.2
RR thousand

	2016	2015
Russian rouble	49 933	82 793
US Dollar	2 568	33 172
Euro	112 292	20 163
Other currencies	0	4
Total other liabilities	**164 793**	**136 132**

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

4.1.12. EQUITY

Share capital of the Bank is represented by ordinary shares. At 1 January 2017 and 2016, all of the Bank's outstanding ordinary shares were fully paid in. Each ordinary share carries one vote. More detailed information on share issues is presented in Section 5 of the Statement on capital adequacy level in these annual financial statements.

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

4.1.13. IRREVOCABLE LIABILITIES

This line item includes:

- undrawn credit lines (including limits on overdraft loans) of RR 10 907 608 thousand at the reporting date and RR 9 728 680 thousand at 1 January 2016, respectively. The majority of the contracts provide for the possibility to close the limit early in case of worsening of the counterparty's (borrower's) financial position;
- nominal commitments on open derivative financial instruments, term and cash (spot) deals without consideration of counter-claims to counterparties are RR 45 684 711 thousand at the reporting date (RR 50 841 969 thousand at 1 January 2016). This indicator is primarily of short-term nature and therefore subject to significant fluctuations.

4.1.14. GUARANTEES ISSUED BY THE BANK

In addition to guarantees issued by the Bank, this item also includes commitments on confirmed and opened letters of credit.

4.2 EXPLANATORY NOTE TO THE STATEMENT OF FINANCIAL RESULTS

Information on the movements in provisions for possible losses is disclosed in p. 4.3.

In 2016, included in profit were foreign exchange differences, except for foreign exchange differences related to financial instruments through profit or loss, of RR – 1 880 687 thousand (2015: RR 1 939 408 thousand).

Income tax expense for 2016 includes current income tax of RR 690 896 thousand and deferred income tax of RR – 319 803 thousand (2015: RR 236 705 thousand and RR 515 349 thousand, respectively).

In 2016 and 2015, the Bank had no significant expense or income as a result of changes in tax rates or enactment of new taxes.

The amount of employee remunerations for 2016 (including taxes) is RR 621 283 thousand (2015: RR 544 262 thousand). Due to changes in the accounting policy and accounting rules for 2016 as related to settlements with staff and payroll costs, these amounts are not fully comparable; however, the extent of incomparability is not significant.

During 2016 and 2015 the Bank:

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

The cost and the accumulated depreciation of premises and equipment and intangible assets are disclosed in paragraph 4.1.6 of this Explanatory Note. The net financial result from the disposal of premises and equipment items and intangible assets in 2016 was positive at RR 1 790 thousand (2015: positive financial result of RR 1 114 thousand). This financial result is recorded in the amount of RR 2 729 thousand within other operating income and in the amount of RR 939 thousand within operating expenses (2015: RR 1 189 thousand within other operating income and RR 75 thousand within operating expenses).

4.3 EXPLANATORY NOTE TO THE STATEMENT ON CAPITAL ADEQUACY LEVEL

Information about the Bank's approaches to the evaluation of capital adequacy to cover the current and future operations is disclosed in p. 5.3, and information about the Bank's compliance with the capital adequacy ratios (statutory ratios) is disclosed in p. 4.4 of this Explanatory Note.

The table below presents information about the expenses to establish provisions for possible losses and income from their release recognised within equity in the reporting period for each type of assets:

Table 4.3.1
RR thousand

	01.01.2017			01.01.2016		
	expenses to establish provisions	income from release of provisions	result	expenses to establish provisions	income from release of provisions	result
Income and expense on provision for possible losses						
- correspondent accounts	0	0	0	522	552	30
- loans outstanding and accrued interest	754 329	151 111	(603 218)	464 814	436 723	(28 091)
- other assets	76 255	33 103	(43 152)	10 782	8 262	(2 520)
- credit related commitments	619 290	791 487	172 197	559 926	262 373	(297 553)
- other losses	0	0	0	32 321	0	(32 321)
Total for income and expense accounts	**1 449 874**	**975 701**	**(474 173)**	**1 068 365**	**707 910**	**(360 455)**
Write-off of debt and expenses against provision for possible losses established earlier			32 321			6
Total change in provisions			**(441 852)**			**(360 449)**

The table below presents explanations to Sector 1 "Information on Capital Adequacy Level" of the statement of capital adequacy level, including balance sheet data used as source data at 1 January 2017:

Table 4.3.2
RR thousand

No.	Balance sheet			Statement of capital adequacy level (Section 1)		
	Item	Pos. No.	At the reporting date	Item	Pos. No.	At the reporting date
1	Shareholders' (participants') funds, share premium (charged to Tier 1 capital)	24, 26	3 435 271	Total charter capital and share premium formed by:	1	3 435 271
2	Reserve fund (charged to Tier 1 capital)	27	323 340	Reserve fund	3	323 340
3	Total premises and equipment, intangible assets and inventories, including:	10	78 387	X	X	X
3.1	Intangible assets that decrease Tier 1 capital	X	7 599	Intangible assets, less deferred tax liabilities	9	7 599
4	Total deferred tax asset, including:	9	0	X	X	X
4.1	deferred tax assets that decrease Tier 1 capital	X	0	Deferred tax assets that depend on future profits	10	0
5	Retained earnings and revaluation of securities available for sale, including:	33, 34, 28	8 394 828	Retained earnings, including:	2.1, 46	8 386 249
5.1	Prior years retained earnings within Tier 1 capital	33	7 554 365	Retained earnings (deficit)	2.1	7 554 365

No.	Balance sheet			Statement of capital adequacy level (Section 1)		
	Item	Pos. No.	At the reporting date	Item	Pos. No.	At the reporting date
5.2	Unutilised earnings (losses) for the reporting period within Tier 2 capital	34	826 100	Unutilised earnings (losses) for the reporting period	Part 46	817 521
5.4	Revaluation of securities available for sale, less deferred tax liabilities within Tier 2 capital	28	14 363	Unutilised earnings (losses) for the reporting period related to revaluation of securities available for sale, and net deferred tax assets	Part 46	14 363
6	X	X	X	Other items decreasing sources of Tier 2 capital	56	0

The table below presents explanations to Sector 1 "Information on Capital Adequacy Level" of the statement of capital adequacy level, including balance sheet data used as source data at 1 January 2016:

Table 4.3.3
RR thousand

No.	Balance sheet			Statement of capital adequacy level (Section 1)		
	Item	Pos. No.	At the reporting date	Item	Pos. No.	At the reporting date
1	Shareholders' (participants') funds, share premium (charged to Tier 1 capital)	24, 26	3 435 271	Total charter capital and share premium formed by:	1	3 435 271
2	Reserve fund (charged to Tier 1 capital)	27	323 340	Reserve fund	3	323 340
3	Total premises and equipment, intangible assets and inventories, including:	10	73 748	X	X	X
3.1	Intangible assets that decrease Tier 1 capital	X	0	Intangible assets, less deferred tax liabilities	9	0
4	Total deferred tax asset, including:	9	8 102	X	X	X
4.1	deferred tax assets that decrease Tier 1 capital	X	0	Deferred tax assets that depend on future profits	10	0
5	Retained earnings and revaluation of securities available for sale, including:	33, 34, 28	8 521 955	Retained earnings, including:	2.1, 46	8 482 662
5.1	Prior years retained earnings within Tier 1 capital	33	6 016 748	Retained earnings (deficit)	2.1	6 016 748
5.2	Unutilised earnings (losses) for the reporting period within Tier 2 capital	34	2 537 616	Unutilised earnings (losses) for the reporting period	Part 46	2 498 323
5.4	Revaluation of securities available for sale, less deferred tax liabilities within Tier 2 capital	28	(32 409)	Unutilised earnings (losses) for the reporting period related to revaluation of securities available for sale, and net deferred tax assets	Part 46	(32 409)
6	X	X	X	Other items decreasing sources of Tier 2 capital	56	0

Explanation of the methods used to calculate amounts in the Statement on the capital adequacy level to cover risks, the amount of provision for doubtful loans and other assets (Form 0409808):

In Section 1 “Information on Capital Adequacy Level” the amounts of risk-weighted assets recorded in lines 60.2, 60.3 and 60.4 of Section 1 are calculated as the sum of risk-weighted assets and other items included in calculation of corresponding capital adequacy ratios in accordance with Instruction of the Bank of Russia No. 139-I of 3 December 2012.

The current year profit recorded in column 7 in line 5.2 of Section 1 (RR 817 521 thousand) differs from the net profit in the published forms – statement of financial results and the balance sheet (RR 826 100 thousand) as the methodology established by Regulation of the Bank of Russia No. 395-P of 28 December 2012 was applied to calculate profit within the Bank’s equity (capital).

Explanation of the methods used to calculate amounts in subsection 2.1 “Credit risk in applying the standardised approach” of Section 2 “Information of the value of credit, operational and market risks covered by equity”:

- the line “Credit risk for balance sheet assets” (line 1) includes nominal values (columns 4 and 7), nominal values less provisions (columns 5 and 8) and amounts of risk-weighted assets (columns 6 and 9) for all balance sheet assets, including higher-risk assets and (in columns 6 and 9) the risk of changes in loan receivables caused by the deterioration of a counterparty's credit quality (credit value adjustments, CVA).

Explanation of the data presented in Section “For Reference” (Information on movements in the provision for doubtful loans, borrowings and similar debt):

- lines 1.4 and 2.5 (“due to other reasons”) include movements related to provisions and recovery of provisions due to the transfer of certain amounts from provision to overdue loans, write-off from these accounts and movements in provisions related to accrued interest.

4.4 EXPLANATORY NOTE TO THE DATA ON MANDATORY RATIOS AND THE FINANCIAL LEVERAGE RATIO

Explanation of the values of mandatory ratios:

During the reporting period the Bank complied with the requirements to mandatory ratios in accordance with Instruction of the Bank of Russia No. 139-I of 3 December 2012 “On Mandatory Ratios for Banks”. The levels of capital adequacy ratio and liquidity ratios are high and long-term liquidity ratio and maximum risk of large credit exposure ratio are significantly lower than the limits established by the Bank of Russia (maximum values).

The Bank calculates all mandatory ratios using official exchange rates of the Bank of Russia effective at the reporting date.

As regards the calculation of liquidity coverage ratio (LCR):

The Bank is not included into the list of credit institutions which are obliged to comply with the level of LCR set out by Regulation of the Bank of Russia No. 510-P of 3 December 2015. Therefore, the Bank does not make the disclosure in Section 3 “Information on liquidity coverage ratio” of form 0409813 and does not provide explanations for this ratio.

Explanation of the financial leverage ratio:

Over the reporting period (2016), the financial leverage ratio increased from 14.0% to 20.4% This change is attributable both to the increase in core capital after inclusion of 2015 profit and the decrease in assets at risk included in the calculation of this ratio, which, in their turn, decreased due to the reduction in the Bank’s balance sheet assets. The reasons that led to the reduction of the carrying amount of assets are disclosed in the explanation note to the Bank’s key performance indicators (p. 2.2).

At 1 January 2016, the difference between the carrying amount of the assets and their value used for calculating the financial leverage ratio is RR 3 970 986 thousand, including the fair value of derivative financial instruments that represent an asset valued at RR 3 639 210 thousand and other differences in the amount of RR 331 776 thousand arising from the calculation method used.

4.5 EXPLANATORY NOTE TO THE STATEMENT OF CASH FLOWS

The amount of the cash and cash equivalents held by the Bank but unavailable for its use at 1 January 2017 is RR 0 thousand (1 January 2016: RR 0 thousand).

At 1 January 2017, the Bank had unused limits on credit lines opened with commercial banks in the amount of RR 0 thousand (1 January 2016: RR 0 thousand) and with the Bank of Russia in the amount of RR 6 000 000 thousand (1 January 2016: RR 6 000 000 thousand)

5. INFORMATION ABOUT RISKS ASSUMED BY THE CREDIT INSTITUTION AND PROCEDURES FOR RISK ASSESSMENT, RISK AND CAPITAL MANAGEMENT

5.1 INFORMATION ABOUT RISKS ASSUMED BY THE CREDIT INSTITUTION AND THE METHODS OF RISK IDENTIFICATION, MEASUREMENT, MONITORING AND CONTROL

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

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

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

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

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

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

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

The Bank's Supervisory Board is responsible for proper operation of the risk management control system, including key risk management. The Bank's Management Board is responsible for implementing measures to ensure mitigation of risks and monitors compliance of the Bank's operations with the established risk limits.

The Chairman of the Bank's Management Board bears direct responsibility for implementing the risk management system in the Bank.

The level of accepted risks is assessed by the divisions which are independent of those involved in the banking transactions whose activities and risks are analysed:

- The Credit Department represented by the heads of teams is responsible for assessment of credit risks related to counterparty legal entities and individuals.
- The Risk Control Team is responsible for monitoring and assessing market risks (including interest rate and currency risks), liquidity and operational risks.

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

Risk management departments prepare internal risk management reports and provide them to the Bank's executive bodies and heads of structural divisions. Market and liquidity risk reports (on risk levels and use of limits set) are generated on a daily basis and presented to the departments that are responsible for the Bank's currency position and liquidity management and to the Chairman of the Management Board and CFO. For credit risk, daily reports (on risk concentration) as well as monthly reports are prepared for the members of the Bank's Management Board. The Supervisory Board receives rolling reports about the levels of significant risks (credit, market, operational and liquidity risks) twice a year.

In 2016, the Bank launched the project to improve its risk and capital management system (internal capital adequacy assessment process (ICAAP) due to the need to implement the requirements set out in the Bank of Russia's Instruction No. 3624-U of 15 April 2015 that come into force since 1 January 2017. As part of the project, the Bank set up the Risk Management Office, revised the risk management functions performed by the Group's structural units and directly by the Bank's independent divisions, improved internal controls and risk and capital management procedures. In close cooperation with Commerzbank Group's risk management departments, the Bank actively implements and applies the Group's ICAAP standards and approaches at the local level subject to the Russian regulatory requirements and the Bank's risk profile and business strategy. Therefore, in 2017, the Bank's risk and capital management system was changed, however the key elements and principles of the capital and risk management system described in these financial statements remained the same.

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

The Bank classifies the following risks as non-financial:

Reputational risks – risk of negative perception of the Bank by customers, counterparties, public, supervisory agencies and investors, which may have an adverse effect of the Bank's ability to maintain existing business relationships and build new ones as well as maintain access to financial resources on an ongoing basis.

Strategy and business risks – risk of unfavourable change in the Bank's performance due to making erroneous management decisions, including those related to the development, approval and implementation of the Bank's development strategy, inappropriate execution of approved decisions and inability of the Bank's management bodies to adapt to changing external factors.

Legal risk – risk of loss as a result of the Bank’s and/or its counterparties’ defaults under the existing contracts, legal errors made by the Bank in the course of its operations (e.g. incorrect legal advice or document preparation, including under legal proceedings), imperfection of legal framework (e.g. inconsistency of laws, lack of legal regulation of individual issues arising in the course of the Bank's operations); violation of regulations by counterparties, location of the Bank’s branches, legal entities controlled by the Bank or where the Bank exercises significant influence and the Bank’s counterparties under different jurisdictions.
Regulatory risk – the possibility of financial loss due to the Bank’s non-compliance with the Russian legislation, the Bank’s internal regulations, standards of self-regulatory organisations (if such standards and rules are obligatory for the Bank) and as a result of sanctions and/or other enforcement measures taken by the supervisory agencies.

The Bank classifies the following risks as financial:
Credit risk, market risk, (including currency and interest rate risks), liquidity and operational risk.
Operational risk is the risk of losses through inadequate or defective management systems and processes, technical failures or external events. 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.

At the Group level the operational risk is measured using both the bottom-up and top-down approach. The internally recorded loss data are enhanced by industry data, which is also used in the scenario analysis. The qualitative assessment is regularly carried out across all of the Bank’s processes using structured questionnaires. The assessment is supplemented by the use of key risk indicators which allow for monitoring sensitive processes as part of the daily operational risk management. Operational risk is assessed through mathematical-statistical risk modelling. Through the analysis of internal and external loss data in considering qualitative ratings, the model calculates both the economic and regulatory capital in terms of VaR.

The Bank uses Base Indicative Approach for the purpose of estimating the requirements to equity (capital) as related to the operational risk.

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

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

Market risk represents a possibility of financial loss as a result of changes in current (fair) value of the Bank's financial instruments and in foreign exchange rates and/or official prices for precious metals.

For estimating the requirements to equity (capital) as related to the market risk, the Bank identifies and calculates the following components:

- Interest rate risk is the risk of adverse effects of changes in market interest rates on the Bank’s assets, liabilities and off-balance-sheet instruments, including into the Bank's trading book; the interest rate risk for the trading book includes risks at two levels – general and specific;
- Equity risk is the risk of loss as a result of unfavourable changes in market prices for securities (including those that provide rights for participation in management) on the trading book and derivative financial instruments due to the effect of factors related either to the issuer of securities and derivatives or general fluctuations of market prices for financial instruments;
- Commodity risk is the risk of loss as a result of unfavourable changes in commodity prices;
- Currency risk – is the risk of loss as a result of unfavourable changes in the prevailing foreign exchange rates and/or prices for precious metals under the Bank’s open positions in foreign currencies and/or precious metals.

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

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

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

- sets limits on the level of exposure by currency and in total for both overnight and intra-day positions;
- controls compliance with the established market risk limits and open currency positions (OCP) in total across all currencies and monitors OCPs on a currency-by-currency basis;
- has the Procedure for Putting Foreign Exchange Transactions on Currency Position and Payments on Payment Position in place under which the Financial Market Trading Department is informed about all movements in the open currency position;
- monitors market risks (interest rate and currency risks) on a regular basis using the software application developed by Commerzbank AG. In case of a potential unfavourable change in the currency risk the Bank has a plan in place to change the currency structure of its assets and liabilities.

Interest rate risk. The market risk includes, in particular, the interest rate risk inherent in the banking book (hereinafter, the interest rate risk), which represents the risk of the deterioration of the Bank’s financial position due to the decrease in equity, revenue level, value of the assets that are sensitive to the changes in the market interest rates as a result of such changes:

- yield curve risk is the risk of the change in the present value of Bank’s financial instruments caused by changes in the discount rates due to the effect of market conditions;
- option risk is the risk of the deterioration of the Bank’s financial position due to the possibility of exercising embedded options in the Bank’s financial instruments by the Bank’s customers;
- repricing risk is the risk of the deterioration of the Bank’s financial position due to the changes in the interest rates in the case of instruments with floating rates when the base interest rates are changed, including the additional risk arising when different basis rates are used;
- funding risk is the risk of the deterioration of the Bank’s financial position in the future if financial instruments are entered into in the environment of unfavourable changes in market interest rates, i.e. financial assets are acquired at below market rates and financial liabilities – at above market rates.

The interest rate risk is assessed for the instruments in the banking book in the aggregate, i.e. as a general market risk. Instruments included in the banking book do not have negative effects on equity and they are managed through setting limits and/or provisioning. Instruments to be included into trading book are taken into account when calculating equity within the market risk component.

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

- bringing down interest rate risk by pursuing conservative interest rate policy;
- ensuring a balanced and flexible approach in establishing interest rates for attraction and placement of resources;
- analysing an interest rate gap to identify the Bank's potential exposure to market interest rate fluctuations;
- analysing assets and liabilities by maturity and interest rate;

- including a clause in the agreements to be concluded on possible revision of the fee charged for services provided depending on changes in the refinancing and market rates.

Liquidity risk is the risk of the Bank's inability to finance its operations, i.e. ensure the asset base growth and meet liabilities when due without incurring such losses that may endanger the Bank's financial sustainability.

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

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

Calculated liquidity cash flows (LAB) indicate the extent to which the Bank is able to cover liquidity shortfalls by making use of its liquidity reserves. These liquidity reserves consist of highly 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 repo agreements for these assets is prepared. Balance sheet liquidity flows are calculated daily under normal and stress scenarios and contain all relevant repo receipts by currency that can be realised based on the Bank's current assets.

LAB Concept assumes stable funding, which defines the proportion of the loan portfolio and other financial instruments with maturities over one year to long-term finance, including the Bank's long-term customer deposits. This concept serves as the basis for 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. Steering limits are set for each individual currency and for aggregated forward cash position based on the going concern assumption. Independent division – the General Banking Risk Control Team monitors compliance with the limits on a daily basis for each segment: by the Department for Financial Market Operations and the Treasury Department, and for the Bank as a whole. All limit overruns are reported to the Group's Treasury (GM-T) and the Market Risk Committee.

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

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

Starting from 1 January 2015, the Bank calculates liquidity coverage ratio and provides monthly reports "Calculation of Liquidity Coverage Ratio (Basel III)" to the Bank of Russia (form 0409122).

Credit risk is the risk of financial losses due to defaults of borrowers/counterparties or downgraded credit rating of a counterparty. Credit risk also covers country risk, counterparty risk and settlement risk arising from trading activities.

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

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

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

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

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

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

Based on the existing banking group procedures and in view of the Bank of Russia's requirements, Commerzbank (Eurasija) AO has an internal credit policy document which outlines the areas covered by its credit policy, principles and approaches to credit risk assessment and monitoring, specifics of credit authority allocation and credit documentation standards.

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

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

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

The Bank analyses credit risk concentration in accordance with the requirements of H6 and H7 ratios calculated in accordance with Instruction of the Bank of Russia No. 139-I.

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

5.2 SUMMARY OF SIGNIFICANT RISKS

5.2.1. CREDIT RISK

Information about the concentration of credit risk by the Bank's line of business, type of operations and type of customer at 1 January 2017 and 1 January 2016 is disclosed in respective paragraphs of Section 4.1 of this Explanatory note to the balance sheet. Geographic concentration of credit risk is disclosed in paragraph 5.2.5 of this Explanatory Note.

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

Table 5.2.1.1
RR thousand

	01.01.2017	01.01.2016
Amount of assets classified to Risk Group I	5 620 690	12 691 297
Amount of assets classified to Risk Group II	14 108 400	13 767 008
Amount of assets classified to Risk Group III	0	0
Amount of assets classified to Risk Group IV	2 761 649	6 379 070
Amount of assets classified to Risk Group V	0	0
Amount of assets classified as elevated risk assets	5 801 987	6 435 647
Amount of assets classified as reduced risk assets	1 618 292	3 429 264
Amount of assets for which market risk is calculated	0	2 611 801
Total	**29 911 018**	**45 314 088**

Aggregate credit risk (sum of amounts in column 6 in lines 1, 4, 5 of Subsection 2.1 in Section 2 of form 0409808) before accounting for collateral and netting performed as required by Instruction of the Bank of Russia No. 139-I, by key instruments at the reporting date and their average value for the reporting period, is presented in the following tables:

Table 5.2.1.2
RR thousand

	01.01.2016	01.01.2016
Aggregate credit risk at reporting dates	29 664 773	38 401 162
Including credit risk with reduced risk ratio in relation to collateral, total, including:	951 615	3 476 059
loans outstanding	528 036	1 803 267
contingent credit related commitments	423 579	1 672 792
Estimated aggregate credit risk, with collateral taken into account	33 471 237	52 305 399

Average values of the above indicators for the reporting period

Table 5.2.1.3
RR thousand

Aggregate credit risk at reporting dates	35 010 786
Including credit risk with reduced risk ratio in relation to collateral, total, including:	1 987 597
loans outstanding	1 300 645
contingent credit related commitments	686 952
Estimated aggregate credit risk, with collateral taken into account	43 015 021

Provided below is the information on classification of assets by quality category and provision for possible losses in accordance with Regulation of the Bank of Russia No. 254-P "On the Procedure for Booking Provisions against Possible Losses from Loans, Borrowings and Similar Debt by Credit Institutions" of 26 March 2004 and Regulation of the Bank of Russia No. 283-P "On the Procedure for Booking Provisions against Possible Losses by Credit Institutions" of 20 March 2006, and on restructured and overdue debt at 1 January 2017:

Table 5.2.1.4
RR thousand

Name	Amounts due from credit institutions	Loans outstanding Total	including loans outstanding banks	legal entities	individuals	Other assets
Quality category I	6 090 505	8 064 440	6 219 778	1 844 662	0	1 505 885
Quality category II	0	5 792 117	0	5 792 117	0	12 423
Quality category III	0	2 549 601	0	2 539 705	9 896	1 247
Quality category IV	0	63 811	0	63 811	0	93
Quality category V	0	628 716	0	628 716	0	48 207
Total	**6 090 505**	**17 098 685**	**6 219 778**	**10 869 011**	**9 896**	**1 567 855**
Restructured not overdue debt	0	2 956 138	0	2 956 055	83	0
Overdue debt (*)						
- less than 30 days overdue	0	0	0	0	0	0
- 31 to 90 days overdue	0	0	0	0	0	0

Name	**Amounts due from credit institutions**	**Loans outstanding Total**	**including loans outstanding banks**	**legal entities**	**individuals**	**Other assets**
- 91 to 180 days overdue	0	554 223	0	554 223	0	0
- over 180 days overdue	0	0	0	0	0	0
Total estimated provision	0	1 317 412	0	1 316 904	508	
Total actual provision	0	758 232	0	757 724	508	48 391
Receivables less actual provision for possible losses	**6 090 505**	**16 340 453**	**6 219 778**	**10 111 287**	**9 388**	**1 519 464**

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

The difference of RR 1 000 000 thousand shown in table 5.2.1.4 on net loans outstanding (RR 16 340 453 thousand) at 1 January 2017 compared to the corresponding line in the published statement of financial position – form 0409806 (RR 17 340 453 thousand) represents the amount of deposits in the Bank of Russia.

Provided below is the information on classification of assets by quality category and provisions for possible losses in accordance with Regulation of the Bank of Russia No. 254-P "On the Procedure for Booking Provisions against Possible Losses from Loans, Borrowings and Similar Debt by Credit Institutions" of 26 March 2004 and Regulation of the Bank of Russia No. 283-P "On the Procedure for Booking Provisions against Possible Losses by Credit Institutions" of 20 March 2006, and on restructured and overdue debt at 1 January 2016:

Table 5.2.1.5
RR thousand

Name	**Amounts due from credit institutions**	**Loans outstanding Total**	**including loans outstanding banks**	**legal entities**	**individuals**	**Other assets**
Quality category I	6 390 962	13 862 200	1 182 338	12 679 862	-	1 843 055
Quality category II	-	5 998 753	-	5 998 753	-	18 780
Quality category III	-	1 517 908	-	1 500 000	17 908	9 624
Quality category IV	-	99 957	-	99 957	-	-
Quality category V	-	107 356	-	107 356	-	5 160
Total	**6 390 962**	**21 586 174**	**1 182 338**	**20 385 928**	**17 908**	**1 876 619**
Restructured not overdue debt	-	2 713 667	-	2 713 386	281	-
Overdue debt (*)						
- less than 30 days overdue	-	5 000	-	5 000	-	32
- 31 to 90 days overdue	-	-	-	-	-	-
- 91 to 180 days overdue	-	-	-	-	-	-
- over 180 days overdue	-	-		--	-	-
Total estimated provision	-	610 284	-	609 344	940	
Total actual provision	-	155 031	-	154 091	940	5 221
Receivables less actual provision for possible losses	**6 390 962**	**21 431 143**	**1 182 338**	**20 231 837**	**16 968**	**1 871 398**

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

Restructured outstanding loans and equivalent debt include outstanding loans and equivalent debt with renegotiated maturities of the principal debt and interest payment schedule, and outstanding loans and equivalent debt with a changed interest rate and amended rate calculation formula. Debt is considered fully overdue if at least one instalment of principal and (or) interest repayment is not made on the date set by the contract.

At 1 January 2017, the amount of restructured not overdue debt was 8.8% of the total assets (1 January 2016: 5.3%). At 1 January 2017, the amount of overdue debt was 1.7% of the total assets (1 January 2016: 0.0%).

Debt is considered impaired when the loan value is reduced due to the borrower's default on obligations or improper fulfilment of its obligations to the Bank, or if there is real threat of such default (or improper fulfilment).

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

The nature and value of collateral accepted to decrease the estimated provision for possible losses is disclosed in the table below:

Table 5.2.1.6
RR thousand

	1 January 2017 Collateral value	Amount taken as category I collateral	Amount taken as category II collateral	1 January 2016 Collateral value	Amount taken as category I collateral	Amount taken as category II collateral
Banking guarantees	4 158 658	4 158 658	.0	9 587 639	9 587 639	0
Other guarantees	2 350 000	2 350 000	0	0	0	0
Cash deposits	0	0	0	4 383	4 383	0
Total collateral	**6 508 658**	**6 508 658**	**0**	**9 592 022**	**9 592 022**	**0**

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

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

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

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

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

Pledged property is revalued at least once a year.

The Bank’s assets in the amount recorded in Table 5.2.1.6 in line “Bank guarantees” are secured through Commerzbank AG’s guarantees that are accepted for the purpose of reducing the estimated provision for possible losses. In addition, there is another security for the above assets, which was accepted from the borrowers with adequate solvency position in line with the procedures effective in the Bank. Commerzbank AG’s credit ratings are investment grade and their values are available on the web-site www.commerzbank.com and in Section 1 of this Explanatory Note. Therefore, the Bank believes that the security risk concentration on Commerzbank AG is acceptable.

At 1 January 2017 and 1 January 2016, the Bank did not pledge any material assets as a collateral. The entire securities portfolio of the Bank is included in the Lombard List of the Bank of Russia and is available for pledging as collateral in case of necessity to obtain intra-day or lombard loans from the Bank of Russia and to conclude REPO agreements with the Bank of Russia.

5.1.1.1 Internal rating system for credit risk assessment

For the purposes of capital adequacy ratios calculation the Bank does not apply credit risk management approaches and quantitative credit risk assessment models to determine the credit risk on the basis of internal ratings (IRA) as required by Instruction of the Bank of Russia No. 3752-U of 6 August 2015.

5.1.1.2 Counterparty credit risk

Approaches to counterparty risk management are described in p. 5.1 of this Explanatory Note. For derivatives, the credit risk is determined as the sum of current and potential risks. Current credit risk is determined as the replacement cost of a financial instrument that reflects losses at the reporting date, in the counterparty fails to perform its obligations. Potential credit risk is determined as the risk that the counterparty does not fulfil its obligations during the period from the reporting date to the value date due to unfavourable changes in the value of the underlying asset.

The level of the current risk in relation to the derivatives and the extent of the reduction of the current credit risk exposure for derivatives due to their inclusion to the netting agreement are presented in the table below.

Table 5.2.1.7
RR thousand

	1 January 2017	1 January 2016
Current credit risk related to derivatives, with the netting agreement taken into account, RR thousand	1 210 444	1 718 882
Current credit risk related to derivatives, without taking into account the netting agreement, RR thousand	1 400 379	1 827 873
The extent of the reduction of the current credit risk exposure for derivatives due to their inclusion to the netting agreement	0.86	0.94

The credit risk is to a significant degree concentrated on transactions with Commerzbank AG. Commerzbank AG's credit ratings are investment grade; therefore, the Bank believes that the risk concentration on Commerzbank AG is acceptable.

The Bank has security from counterparties on transactions with derivatives with corporate counterparties, and there were no security reducing the credit risk assessment for derivatives at 1 January 2017 and 1 January 2016. The Bank provided no security to counterparties for derivatives and has no obligation to provide such security.

5.2.2. MARKET RISK

For the purposes of control over market risk (including interest rate, currency and credit spread risks) the Bank distinguishes trading book and banking book. The Bank's trading book includes trading securities and derivatives; banking book includes all other financial assets and liabilities. In line with liquidity portfolio management principles effective in the Bank starting from 2016, the securities within the liquidity portfolio are not included in the trading portfolio and are not taken into account when calculating the market risk, in accordance with p. 1.1 of Regulation 511-P.

The value of instruments within the trading portfolio is determined based on the approaches used to determine the fair value established by IFRS and regulatory documents of the Bank of Russia.

The approaches used to manage market risk in the Bank are described in p. 5.1 of this Explanatory Note, including the VaR-model based management approach. 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.

Requirements to equity in terms of the market risk are determined according to the methodology set out in Regulation of the Bank of Russia No. 511-P. The amount of market risk calculated in accordance with Regulation of the Bank of Russia No. 511-P is included in Section 2.3 of the statement on the capital adequacy level, the amount of provisions for doubtful loans and other assets (published form 0409808), included in these annual financial statements.

Information about sensitivity of the Bank's assets and liabilities to individual types of the market risk is disclosed below: Unless otherwise stated, sensitivity affects both the Bank's financial result and its equity.

Interest rate risk

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

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.

Interest rate risk is measured on the basis of net present value approach, applying historical simulation method. Sensitivity of the Bank's net assets to interest rate increase is reported to, and reviewed by, the management of the Bank daily.

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

Sensitivity analysis at 1 January 2017 is as follows:

Table 5.2.2.1

RR thousand

	EURO	Russian Rouble	US Dollar	Total
Trading book	15 553	242 709	(9 410)	**248 852**
Banking book, except for debt securities	(8 302)	(122 624)	(3 853)	**(134 779)**
Banking book – debt securities (liquidity portfolio)	-	(181 029)	-	**(181 029)**
Total	**7 251**	**(60 944)**	**(13 263)**	**(66 956)**

Sensitivity analysis at 1 January 2016 is as follows:

Table 5.2.2.2

RR thousand

	EURO	Russian Rouble	US Dollar	Total
Trading book	1 408	273 595	(7 389)	**267 614**
Banking book, except for debt securities	(10 774)	(261 417)	(17 101)	**(289 292)**
Banking book – debt securities (liquidity portfolio)	-	(201 062)	-	**(201 062)**
Total	**(9 366)**	**(188 884)**	**(24 490)**	**(222 740)**

The value of debt securities portfolio is disclosed in paragraph 4.1.5 of this Explanatory Note. The table below presents sensitivity of the value of securities portfolio to an increase in interest rates by 600 basis points (6% p.a.) over the 1-year horizon. Sensitivity to a decrease in interest rates by 600 basis points (6%) over the same period will be approximately the same, but with the opposite sign:

Table 5.2.2.3

RR thousand

	1 January 2017	1 January 2016
Interest rate risk	(181 029)	(201 062)
Credit spread risk	(197 883)	(249 054)
Total	**(378 912)**	**(450 116)**

Sensitivity of the Bank's securities portfolio affects the Bank's capital but does not affect the financial result as the revaluation of the existing portfolio is recorded in equity.

Currency risk

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

The table below presents sensitivity of the Bank's net assets to an increase in the foreign currency exchange rates by 30% calculated on the basis of open currency positions determined under the methodology of Instruction of the Bank of Russia No. 124-I (form 0409634):

Table 5.2.2.6

RR thousand

	1 January 2017	1 January 2016
EURO	(25 932)	(30 066)
US Dollar	(18 697)	(30 117)
Other currencies in aggregate	26 512	48 262

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

5.2.3. OPERATIONAL RISK

The amount of operational risk used to calculate capital adequacy ratios in accordance with Instruction of the Bank of Russia No. 139-I and Regulation of the Bank of Russia No. 395-P is included in Section 2.2 of the statement on the capital adequacy level, the amount of provision for doubtful loans and other assets (published form 0409808), included in these annual financial statements.

Approaches to operational risk management are described in p. 5.1 of this Explanatory Note.

5.2.4. LIQUIDITY RISK

For the purposes of liquidity risk management the Bank maintains a stable funding base primarily consisting of amounts due to other banks, legal entities' deposits and its own capital. The Bank invests in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. Paragraph 5.1 of this Explanatory Note includes more detailed information on approaches used to manage liquidity risk, including segregation of duties, liquidity risk drivers, the Bank's liquidity position management policy and measurement approaches, methods used to reduce liquidity risk, stress-testing methodologies, consideration of liquidity risk for assets with quotations in an active market when managing the funding risk, contingency plan for managing the funding risk, liquidity risk control and reporting.

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

Other line items of assets and liabilities include expected interest receivable/payable. The deals with settlement dates no earlier than the second business day after entering into the transaction are shown gross in the nominal amounts of receivables and liabilities with account for expected interest. Calculations are made in accordance with the methodology of Form 0409125, including letters of credit, term deals and deals with settlement no later than the day of entering into the transaction.

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

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

At 1 January 2017:

Table 5.2.4.1

RR thousand

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	No maturity	Total
ASSETS							
Cash on hand	21 516	0	0	0	0	0	21 516
Accounts with the Central Bank of the Russian Federation	753 283	0	0	0	0	268 218	1 021 501
including mandatory reserves	56 179	0	0	0	0	268 218	324 397
Amounts due from credit institutions	6 082 505	0	0	0	0	8 000	6 090 505
Financial assets at fair value through profit or loss (*)	0	0	0	0	0	0	0
Net loans outstanding	5 533 368	6 268 665	713 981	2 224 698	0	0	14 740 712
Net investment in securities and other financial assets available for sale	3 577 427	0	0	0	0	0	3 577 427
Current income tax receivable	0	0	0	0	0	254 261	254 261
Deferred tax asset	0	0	0	0	0	0	0
Premises and equipment, intangible assets and inventory	0	0	0	0	0	78 387	78 387
Other assets, including	1 513 514	295 656	170 451	230 301	0	15 561	2 225 483
Interest receivables (including coupon income)	37 849	295 656	170 451	230 301	0	0	734 257
Other liquid assets	1 475 665	0	0	0	0	15 561	1 491 226
Total assets	**17 481 613**	**6 564 321**	**884 432**	**2 454 999**	**0**	**624 427**	**28 009 792**
Receivables on derivative financial instruments and deals with settlement later than the day of entering into the transaction	26 778 328	10 926 486	544 056	7 974 338	0	0	46 223 208
LIABILITIES							
Loans, deposits and other funds of the Central Bank of the Russian Federation	0	0	0	0	0	0	0
Amounts due to credit institutions	180 377	0	0	3 032 845	0	0	3 213 222
Amounts due to customers (non-credit institutions)	15 824 113	587 791	189 468	0	0	0	16 601 372
Including deposits of individuals	295	0	0	0	0	0	295
Financial liabilities at fair value through profit or loss (*)	0	0	0	0	0	0	0
Debt securities issued	0	0	0	0	0	0	0
Current income tax liability	3 543	0	0	0	0	0	3 543
Deferred tax liability	0	0	0	0	0	662 899	662 899
Other liabilities, including	169 361	25 262	21 718	72 357	0	0	288 698
Interest repayment liabilities	25 142	25 262	21 718	61 693	0	0	133 815
Other liabilities	144 219	0	0	10 664	0	0	154 883
Total liabilities	**16 177 394**	**613 053**	**211 186**	**3 105 202**	**0**	**662 899**	**20 769 734**
Liabilities on derivative financial instruments and deals with settlement later than the day of entering into the transaction	26 430 974	9 806 382	486 021	6 423 974	0	0	43 147 351

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

At 1 January 2016:

Table 5.2.4.2

RR thousand

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	No maturity	Total
ASSETS							
Cash on hand	61 382	0	0	0	0	0	61 382
Accounts with the Central Bank of the Russian Federation	12 368 018	0	0	0	0	261 897	12 629 915
including mandatory reserves	0	0	0	0	0	261 897	261 897
Amounts due from credit institutions	6 382 962	0	0	0	0	8 000	6 390 962
Financial assets at fair value through profit or loss (*)	0	0	0	0	0	0	0
Net loans outstanding	2 070 757	5 373 741	7 176 088	5 110 137	0	0	19 730 723
Net investment in securities and other financial assets available for sale	2 611 801	0	0	0	0	0	2 611 801
Current income tax receivable	0	0	0	0	0	211 297	211 297
Deferred tax asset	0	0	0	0	0	8 102	8 102
Premises and equipment, intangible assets and inventory	0	0	0	0	0	73 748	73 748
Other assets, including	1 864 859	355 274	385 153	632 553	0	125 085	3 362 924
Interest receivables (including coupon income)	62 978	355 274	385 153	632 553	0	0	1 435 958
Other liquid assets	1 801 881	0	0	0	0	125 085	1 926 966
Total assets	**25 359 779**	**5 729 015**	**7 561 241**	**5 742 690**	**0**	**688 129**	**45 080 854**
Receivables on derivative financial instruments and deals with settlement later than the day of entering into the transaction	41 038 663	1 406 114	152 897	10 752 017	0	0	53 349 691
LIABILITIES							
Loans, deposits and other funds of the Central Bank of the Russian Federation	0	0	0	0	0	0	0
Amounts due to credit institutions	7 817 271	0	0	3 644 135	0	0	11 461 406
Amounts due to customers (non-credit institutions)	22 608 866	2 028 580	122 716	0	0	0	24 760 162
Including deposits of individuals	4 243	0	0	0	0	0	4 243
Financial liabilities at fair value through profit or loss (*)	0	0	0	0	0	0	0
Debt securities issued	0	11 471	4 929	0	0	0	16 400
Current income tax liability	2 916	39 372	0	0	0	0	42 288
Deferred tax liability	0	0	0	0	0	979 111	979 111
Other liabilities, including	163 298	12 072	14 727	75 807	0	37	265 941
Interest repayment liabilities	34 838	12 072	14 727	75 807	0	0	137 444
Other liabilities	128 460	0	0	0	0	37	128 497
Total liabilities	**30 592 351**	**2 091 495**	**142 372**	**3 719 942**	**0**	**979 148**	**37 525 308**
Liabilities on derivative financial instruments and deals with settlement later than the day of entering into the transaction	40 562 393	1 684 075	134 756	6 773 976	0	0	49 155 200

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

5.2.5. GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES AND CREDIT RELATED COMMITMENTS

The geographical concentration of the Bank's assets, liabilities and credit related commitments is analysed below in the tables. The classification is based on the country, in which the counterparty is located. The information on non-resident customers (branches and representative offices of foreign companies) are presented by the location of the head office. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held. Credit related commitments (undrawn loan commitments, letters of credit and guarantees issued by the Bank) are assessed in the amount of established provisions for possible losses arising from these operations.

At 1 January 2017:

Table 5.2.5.1

Line item	Total	Russian Federation	CIS countries	Developed countries	including: Germany
ASSETS					
Cash on hand	21 516	21 516			
Accounts with the Bank of Russia	1 021 501	1 021 501			
including mandatory reserves	324 397	324 397			
Amounts due from credit institutions	6 090 505	144 776		5 945 729	5 944 535
Financial assets at fair value through profit or loss	3 639 210	517 336		3 121 874	3 121 874
Net loans outstanding	17 340 453	17 340 453		0	0
Net investment in securities and other financial assets available for sale	3 577 427	3 577 427			
Premises and equipment, intangible assets and inventory	78 387	78 387			
Other assets	1 786 649	1 767 286		19 363	6 401
Total assets	**33 555 648**	**24 468 682**	**0**	**9 086 966**	**9 072 810**
LIABILITIES					
Amounts due to credit institutions	3 213 222	0		3 213 222	3 210 365
Amounts due to customers (non-credit institutions)	16 601 372	15 196 340		1 404 972	231 210
Including deposits of individuals	295	292		3	3
Financial liabilities at fair value through profit or loss	429 513	149 374		280 139	280 139
Debt securities issued	0				
Other liabilities	831 235	714 682	0	116 553	52 068
Provisions for credit related contingencies, other possible losses and transactions with offshore residents	326 867	315 714	6 180	0	0
Total liabilities	**21 402 209**	**16 376 110**	**6 180**	**5 014 886**	**3 773 782**

The geographical concentration of the Bank's financial assets and liabilities at 1 January 2016 is set out below:

Table 5.2.5.2

Line item	Total	Russian Federation	CIS countries	Developed countries	including: Germany
ASSETS					
Cash on hand	61 382	61 382			
Accounts with the Bank of Russia	12 629 915	12 629 915			
including mandatory reserves	261 897	261 897			
Amounts due from credit institutions	6 390 962	1 659 834		4 731 128	1 247 101
Financial assets at fair value through profit or loss	5 929 398	476 924		5 452 474	5 435 557
Net loans outstanding	21 431 143	20 952 960	478 183		
Net investment in securities and other financial assets available for sale	2 611 801	2 611 801			

Line item	Total	Russian Federation	CIS countries	Developed countries	including: Germany
Premises and equipment, intangible assets and inventory	73 748	73 748			
Other assets	2 154 467	2 146 503	2 659	5 305	
Total assets	**51 282 816**	**40 613 067**	**480 842**	**10 188 907**	**6 682 658**
LIABILITIES					
Amounts due to credit institutions	11 461 406			11 461 406	11 385 690
Amounts due to customers (non-credit institutions)	24 760 162	22 683 000	3	2 077 087	1 608 902
Including deposits of individuals	4 243	3 882	3	258	204
Financial liabilities at fair value through profit or loss	1 107 687	409 612		698 075	
Debt securities issued	16 400	16 400			
Other liabilities	1 157 531	1 100 287	0	57 244	55 846
Provisions for credit related contingencies, other possible losses and transactions with offshore residents	499 064	499 064			
Total liabilities	**39 002 250**	**24 708 363**	**3**	**14 293 812**	**13 050 438**

5.3 CAPITAL MANAGEMENT DISCLOSURE

The Bank’s objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation and (ii) to safeguard the Bank’s ability to continue as a going concern. Internal procedures for assessing capital adequacy (ICAAP) constitute the process implemented by the Bank to assess adequacy of available capital, i.e. internal capital to cover assumed and potential risks. ICAAP also includes the procedures for capital planning on the basis of the Bank's established development strategy, business development goals and the results of comprehensive current assessment of the above risks.

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

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

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

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

Credit risk

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

Operational risk

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

Market risk

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

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

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

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

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

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

In 2016, the Bank launched the project to improve its risk and capital management system (internal capital adequacy assessment process (ICAAP)) due to the need to comply with the requirements set out in the Bank of Russia’s Instruction No. 3524-U of 15 April 2015 that come into force since 1 January 2017. As part of the project, the Bank developed and defined significant risk management methods and procedures; capital management methods and procedures, including setting the target (planned) level of capital, current capital requirement estimation, capital adequacy assessment; significant risk control system and the Bank's ICAAP reports. Therefore, in 2017, the Bank’s risk and capital management system was changed; however, the key elements and principles of the capital and risk management system described in these financial statements remained the same.

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

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

Information about the Bank's compliance with the capital adequacy ratios is disclosed in p. 4.3.1 of this Explanatory Note.

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

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

6. DISCLOSURE OF TRANSACTIONS ON ASSIGNMENT OF RECEIVABLES

In 2016 and 2015, the Bank was not involved in transactions on assignment of receivables to third parties.

7. INFORMATION ABOUT TRANSACTIONS WITH RELATED PARTIES OF THE CREDIT INSTITUTION

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

The Bank's related counterparties include: the sole shareholder Commerzbank AG, its subsidiary banks and Commerzbank Group entities as well as the Bank's key management personnel that includes the Chairman and members of the Management Board.

Balances on transactions with related parties at 1 January 2017 are presented in RR'000 in the table below:

Table 7.1

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Key management personnel (Management Board)
ASSETS				
Amounts due from credit institutions	5 945 729	5 945 729		
Financial assets at fair value through profit or loss	3 121 874	3 121 874		
Net loans outstanding	5 519 778	5 519 778		
Other assets	19 948	6 395	13 538	15
OFF-BALANCE SHEET ASSETS				
Receivables on deliverable term deals, cash (spot) deals and derivatives	20 133 340	20 133 340		
Contingent receivables on the guarantees issued by related parties to the Bank (other than counter-guarantees)	11 882 879	11 882 879		
LIABILITIES				
Amounts due to credit institutions	3 213 222	3 213 222		
Amounts due to customers (non-credit institutions)	220 456	2 088	218 368	
Financial liabilities at fair value through profit or loss	280 139	280 139		
Other liabilities	116 337	115 865	472	
OFF-BALANCE SHEET LIABILITIES				
Liabilities under deliverable term deals, cash (spot) deals and derivatives	17 308 978	17 308 978		
Irrevocable lines of credit	700 000	700 000		
Guarantees issued by the Bank to third parties on behalf of or counter-guaranteed by related parties	9 630 789	9 330 613	300 176	

Balances on transactions with related parties as of 1 January 2016 are presented in RR'000 in the table below:

Table 7.2

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Key management personnel (Management Board)
ASSETS				
Amounts due from credit institutions	4 698 758	4 698 758		
Financial assets at fair value through profit or loss	5 435 557	5 435 557		
Net loans outstanding	1 076	0		1 076
Other assets	5 290	4 280	241	769

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Key management personnel (Management Board)
OFF-BALANCE SHEET ASSETS				
Receivables on deliverable term deals, cash (spot) deals and derivatives	23 495 141	23 495 141		
Contingent receivables on the guarantees issued by related parties to the Bank (other than counter-guarantees)	22 659 249	22 620 849	38 400	
LIABILITIES				
Amounts due to credit institutions	11 461 406	11 417 130	44 276	
Amounts due to customers (non-credit institutions)	124 820	3 521	120 973	326
Financial liabilities at fair value through profit or loss	418 024	418 024		
Other liabilities	33 931	33 148	783	
OFF-BALANCE SHEET LIABILITIES				
Liabilities under deliverable term deals, cash (spot) deals and derivatives	18 767 045	18 767 045		
Irrevocable lines of credit	700 000	700 000		
Guarantees issued by the Bank to third parties on behalf of or counter-guaranteed by related parties	16 208 971	15 875 348	333 623	

At 1 January 2016 and 1 January 2015, the Bank had no:

- overdue debt of the Bank's related parties;
- established provisions for possible losses arising from the Bank's transactions with related parties;
- write-offs of the bad debt of the Bank's related parties.

Income and expenses on transactions with related parties for 2016 are presented in RR'000 in the table below:

Table 7.3

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Key management personnel (Management Board)
Interest income	49 294	985	48 256	53
Interest expense	65 422	39 530	25 892	
Fee and commission income	48 841	48 431	410	
Fee and commission expense	77 317	77 317	0	
Other operating income	82 398	82 398	0	
Operating expenses (*)	425 425	199 057	226 368	

(*) Information about operating expenses (compensation) related to the Management Board is disclosed in Section 8 of this Explanatory Note.

Transactions with related parties for 2015 are presented in RR'000 in the table below:

Table 7.4

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Key management personnel (Management Board)
Interest income	59 257	57 947	1 141	169
Interest expense	126 130	102 737	23 393	
Fee and commission income	121 057	118 317	2 740	
Fee and commission expense	120 489	120 489	0	
Other operating income	2 843	0	2 843	
Operating expenses (*)	430 559	228 192	202 367	(*)

(*) Information about operating expenses (compensation) related to the Management Board is disclosed in Section 8 of this Explanatory Note.

8. INFORMATION ABOUT COMPENSATION PLAN OF THE CREDIT INSTITUTION

8.1 INFORMATION ON THE SPECIAL BODY OF THE CREDIT INSTITUTION RESPONSIBLE FOR COMPENSATION PLAN

The Bank's Supervisory Board annually considers issues related to the Bank's compensation plan design, monitoring and control system, assesses its compliance with the Bank's strategy, nature and scale of transactions, the Bank's performance, level and mix of risks accepted by the Bank. For preparation of decisions on the compensation plan issues, a Remuneration Committee was set up under the Supervisory Board. The Chairman of the Supervisory Board is a member of the Remuneration Committee. Other members of the Committee are elected by the majority of votes cast by the members of the Supervisory Board, and their number may not be less than 2 (two). The Chairman of the Remuneration Committee is elected from its members by the majority of votes cast by the members of the Supervisory Board. Members of the Remuneration Committee have adequate expertise in managing bank risks and developing compensation plans. The Remuneration Committee's activity (including frequency of its meetings) is governed by the Regulations on the Remuneration Committee approved by the Bank's Supervisory Board. No consideration was paid to the members of the Remuneration Committee or the Supervisory Board.

8.2 INDEPENDENT APPRAISALS OF THE COMPENSATION PLAN

The Bank did not undertake any independent appraisals of the compensation plan.

8.3 SCOPE OF THE COMPENSATION PLAN

The Bank's compensation plan covers all employees of all departments, including the Bank's branch in Saint Petersburg.

8.4 KEY PERFORMANCE INDICATORS AND OBJECTIVES OF THE COMPENSATION PLAN

According to the Bank's strategy in the area of employee benefits approved by the Supervisory Board, the Bank's compensation plan is designed to achieve the following objectives: 1) motivate the Bank's employees to achieve short-term and long-term goals of the Bank and Commerzbank Group in view of focused growth strategy, expense control, optimised use of capital, enhancement of compliance culture in the Bank; 2) set up attractive environment for recruiting best employees in the labour market; 3) provide the required level of employee motivation in the environment where there are no drivers for accepting unreasonable risks.

Key indicators used on the Bank's compensation plan are as follows: fixed and variable reward ratio in the compensation; the size of target bonus. For assessing the Bank's and/or its structural units' performance, the following key efficiency indicators may be used: EVA (economic value added), RoE (return on equity used to cover accepted risks), net profit, RWA (risk weighted assets), CIR (cost and income ratio), ratios of operational and market risks to revenue, provisions for possible losses and the development of these indicators considering the effect of external economic factors.

8.5 REVIEWS OF THE COMPENSATION PLAN

In the reporting period, the Supervisory Board approved new versions of the Employee Benefits Policy of Commerzbank (Eurasija) AO and the Bank's Employee Remuneration Strategy (significant principles and objectives of the compensation plan). The updated versions of these documents did not result in significant changes in the Bank's compensation plan.

8.6 COMPENSATION PLAN FOR EMPLOYEES WITH INTERNAL CONTROL AND RISK MANAGEMENT FUNCTIONS

Compensation plan for employees of the units performing internal control and risk management functions (controlling units) is based on general principles of the Bank's compensation plan and takes into account restrictions set out in the Regulation of the Bank of Russia No. 154-I, including limitation for the variable reward component in the total remuneration of each employee included in this category. The size of controlling units' compensation does not depend on the financial result of risk-taking units of the Bank. This is achieved through organisational and management measures to segregate reporting lines and budgets for controlling units' compensation and reporting lines and budgets for compensation of employees of risk-taking units.

8.7 RISK CONSIDERATION METHODS, DETERMINATION OF THE BANK'S PERFORMANCE, PROCESS OF VARIABLE REWARD COMPONENT ADJUSTMENT

Key performance indicators described in p. 8.4 are used as the analytical basis for the Bank's decision on the payment of variable reward component of the compensation, with due consideration of quantitative and qualitative indicators of the Bank's performance, including the level and mix of risks taken by the Bank. The Bank's overall final performance is calculated using the scale from 0 to 200%. Efficiency of risk-taking employees is assessed for a three-year period, while that of other employees of the Bank is assessed based on their performance for a calendar year.

When the performance indicators deviate from the target level, the variable reward component needs to be adjusted. If the indicators of the Bank's risk level are:

- within the acceptable level, no special additional adjustment is required for the variable reward component;
- beyond the acceptable level, the Bank's Supervisory Board may additionally adjust the variable reward component depending on the size and nature of such deviations.

Over the reporting period, the Bank's risk level indicators were within the acceptable level, and no additional adjustment was made in relation to risk levels.

Adjustment parameters for the bonus target sizes are determined based on a linear dependence between the integral assessment of the Bank's performance and budgets for the variable reward component. Based on the above mentioned model, the Bank's performance for 2015 was assessed as 100% using the scale from 0 to 200%.

8.8 FORM OF PAYMENT OF THE VARIABLE REWARD COMPONENT

All payments related to the variable reward component are made in cash; payments in the form of shares and other financial instruments are not applied.

8.9 COMPENSATION PLAN INDICATORS FOR MEMBERS OF EXECUTIVE BODIES AND OTHER RISK-TAKING EMPLOYEES

The table below includes compensation plan indicators for members of executive bodies and other persons who accept risks. The Bank does not use incentive payments when hiring employees nor it applies guaranteed bonuses.

Table 8.9.1

Amounts in RR thousand, number

	2016 (*)		2015 (*)		Comments
	Management Board	Other risk-taking employees	Management Board	Other risk-taking employees	
Number of employees at the last date of the reporting period, people	3	5	3	6	
Number of employees who received payments of variable reward component over the reporting period, people	3	5	3	6	
Termination benefits – quantity	0	1	0	1	
Termination benefits – total amount, RR	0	-	0	-	the amount is not subject to disclosure as individual data on

	2016 (*)		2015 (*)		Comments
	Management Board	Other risk-taking employees	Management Board	Other risk-taking employees	
thousand					employee benefits
Total amount of deferred employee benefit payments, including the form of such payments (cash, shares and financial instruments, other means), RR thousand	3 020	7 884	0	0	Data at the end of the year; only cash payments
Total amount of benefits paid in the reporting period, for which deferral (deferral by instalments) and subsequent adjustment were applied, RR thousand	10 775	19 709	0	0	No deferral (deferral by instalments) and subsequent adjustment were applied to bonuses for 2014. Includes variable reward component payments approved in the reporting period before applying deferral, but including the adjustment made.
Total amount of remuneration payments in the reporting period, thereof by types of payment, RR thousand	41 361	52 705	41 007	53 128	
fixed component	34 896	40 880	36 329	44 014	
variable component	6 465	11 825	4 678	9 114	cash only
Deferral of remuneration payments in the reporting period, RR thousand	4 310	7 884	0	0	
Total amount of remuneration adjustments (decrease in target indicators) in the reporting period, RR thousand	- 4 065	- 5 355	0	0	Adjustment from the level corresponding to performance 0f 200%; no adjustment was applied to bonuses for 2014
Total amount of deferred remunerations which were retained or not paid, RR thousand, including:	0	0	0	0	
due to pre-determined adjustment factors	0	0	0	0	
due to adjustment factors that were not determined in advance	0	0	0	0	

(*) amounts paid for this calendar year, including annual bonus for performance in the previous year

Chairman of the Management Board K. Runde

Chief Accountant A. Gorokhovskiy

27 April 2017

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