ALFA CAPITAL HOLDINGS (CYPRUS) LIMITED

Report and Financial Statements

31 December 2012

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Board of Directors and other officers

Board of Directors

Pavel Nazariyan
Andriy Glavatskyy
Constantinos Constantinou
Simon Roache
Yiola Stavraki
Denis Soloviev
Konstantinos Hadjisavvas (appointed 13 February 2012)
Dmitry Serezhin (resigned 26 February 2013)
Demetris Pijiolis (resigned 29 February 2012)

Company Secretary

Abacus Secretarial Limited
Elenion Building, 2nd floor
5 Themistocles Dervis Street
CY-1066 Nicosia
Cyprus

Registered office

Elenion Building, 2nd floor
5 Themistocles Dervis Street
CY-1066 Nicosia
Cyprus

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2012.

Principal activities

2 The Company's principal activities are operations with equity and debt securities and investments, investment of surplus cash into interest earning bonds, deposits, loans and other financial instruments and the provision of financial services to international clients and the Group. The Company is regulated by the Cyprus Securities Exchange Commission ("CySEC"). The Company holds a license from CySEC to engage principally in brokerage activities and proprietary trading. The license entitles the Company to operate both locally (with certain restrictions) and outside Cyprus.

Review of developments, position and performance of the Company's business

3 The Company made a profit in 2012 of USD 2 398 thousand (2011: USD 68 495 thousand). The decrease in profitability was mainly due to foreign exchange translation losses amounting to USD 13 353 thousand for the year 2012 comparing to foreign exchange translation gains of USD 42 213 thousand in the year 2011. The increase in gains less losses from trading in foreign currencies of USD 18 925 thousand in 2012 compared to USD 10 694 thousand in 2011, was partially moderated by the decrease in gains less losses from trading securities of USD 6 137 thousand in the year 2012 comparing to USD 19 132 thousand in the year 2011. The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties

4 The principal risks and uncertainties faced by the Company are disclosed in notes 4 and 21 to the financial statements.

Future developments

5 The Board of Directors does not expect any significant changes or developments in the operations of the Company in the foreseeable future. The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors and can adversely impact the Company's financial position and performance. The Board of Directors is unable to predict developments which could have an impact on the economy and consequently what effect, if any, they could have on the financial position of the Company, but believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Results

6 The Company's results for the year are set out on page 7. The Board of Directors does not recommend the payment of dividends and net profit for the year is retained.

Share capital

7 There were no changes in the share capital of the Company.

Report of the Board of Directors (continued)

Board of Directors

8 The members of the Board of Directors at 31 December 2012 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2012, except Mr Konstantinos Hadjisavvas who was appointed as Director on 13 February 2012 and Mr Demetris Pijiolis who resigned on 29 February 2012. Mr Dmitry Serezhin who held office at 1 January 2012, resigned on 26 February 2013.

9 In accordance with the Company's Articles of Association all Directors appointed retire and, being eligible, offer themselves for re-election.

10 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the balance sheet date

11 Except as disclosed in Note 28 to the financial statements, there were no other material events which occurred after the end of the financial year.

Branches

12 In 2005 the Company opened a branch in London, United Kingdom, named Alfa Capital Markets. The branch is an extension for corporate finance advisory and underwriting services offered by the Company in the international capital markets.

Independent auditors

13 The Independent auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Abacus Secretarial Limited
Secretary

Nicosia, 29 April 2013

Independent auditor's report
To the Members of Alfa Capital Holdings (Cyprus) Limited

Report on the financial statements

We have audited the accompanying financial statements of parent company Alfa Capital Holdings (Cyprus) Limited (the "Company"), which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company Alfa Capital Holdings (Cyprus) Limited as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.

- In our opinion, proper books of account have been kept by the Company.

- The Company's financial statements are in agreement with the books of account.

- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.

- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Androulla S Pittas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 29 April 2013

In thousands of US Dollars	Note*	31 December 2012	31 December 2011
ASSETS			
Cash and cash equivalents	7	123 237	207 041
Trading securities	8	181 479	148 980
Repurchase receivables relating to trading securities	8	435 023	390 899
Due from other banks	9	245 954	308 108
Loans and advances to customers	10	610 882	802 565
Investments in companies within the Group	11	2 760	5 656
Current income tax prepayment		780	933
Intangible assets, equipment and leasehold improvements		310	522
Other financial assets	12	641 276	329 158
TOTAL ASSETS		**2 241 701**	**2 193 862**
LIABILITIES			
Due to other banks	13	210 603	456 740
Funding from companies within the Group		650 753	401 291
Current income tax liability		4 685	1 583
Other financial liabilities	14	921 261	882 247
TOTAL LIABILITIES		**1 787 302**	**1 741 861**
EQUITY			
Share capital	15	6 017	6 017
Share premium	15	173 997	173 997
Retained earnings		274 385	271 987
TOTAL EQUITY		**454 399**	**452 001**
TOTAL LIABILITIES AND EQUITY		**2 241 701**	**2 193 862**

Approved for issue and signed on behalf of the Board of Directors on 29 April 2013.

Andriy Glavatskyy
Director

Konstantinos Hadjisavvas
Director

*Refer to Note 27 for information on related party transactions.

In thousands of US Dollars	Note*	2012	2011
Interest income	16	58 693	39 610
Interest expense	16	(54 589)	(34 317)
Net interest income		**4 104**	**5 293**
Fee and commission income	17	3 472	6 753
Fee and commission expense	17	(5 123)	(6 421)
Gains less losses from trading securities		6 137	19 132
Gains less losses from interest based derivatives		-	106
Gains less losses from trading in precious metals		(1 043)	-
Gains less losses from trading in foreign currencies		18 925	10 694
Foreign exchange translation gains less losses		(13 353)	42 213
Recovery of provisions		-	1 175
Other operating income	18	2 758	973
Operating expenses	19	(8 719)	(10 955)
Gains less losses on disposal of investments	11	(1 646)	-
Profit before tax		**5 512**	**68 963**
Income tax expense	20	(3 114)	(468)
PROFIT FOR THE YEAR		**2 398**	**68 495**
Other comprehensive loss:			
Available for sale investments:			
- Gains less losses for the year on available for sale investments		-	(93)
- Reclassification adjustment for gains included in profit or loss		-	(177)
Other comprehensive loss for the year		**-**	**(270)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2 398**	**68 225**

*Refer to Note 27 for the information on related party transactions.

In thousands of US Dollars	Share capital	Share premium	Revaluation reserve for available for sale investments	Retained earnings (1)	Total
Balance at 1 January 2011	**6 017**	**173 997**	**270**	**203 492**	**383 776**
Profit for the year	-	-	-	68 495	68 495
Other comprehensive loss	-	-	(270)	-	(270)
Total comprehensive income for the year	-	-	(270)	68 495	68 225
Balance at 31 December 2011	**6 017**	**173 997**	**-**	**271 987**	**452 001**
Profit for the year	-	-	-	2 398	2 398
Total comprehensive income for the year	-	-	-	2 398	2 398
Balance at 31 December 2012	**6 017**	**173 997**	**-**	**274 385**	**454 399**

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The special contribution for defence rate increased to 17% in respect of profits of year of assessment 2009, and to 20% in respect of profits of years of assessment 2010 and 2011. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

In thousands of US Dollars	*Note	2012	2011
Cash flows from operating activities			
Interest received		60 358	33 283
Interest paid		(54 265)	(34 068)
Fees and commissions received		3 472	6 753
Fees and commissions paid		(5 123)	(6 421)
Net loss from trading securities		(5 604)	(18 513)
Net income received from trading in foreign currencies and precious metals		23 478	5 652
Other operating income received		2 604	321
Operating expenses paid		(8 484)	(8 617)
Income tax paid		-	(206)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities		**16 436**	**(21 816)**
Changes in operating assets and liabilities			
Net (increase)/decrease in trading securities and repurchase receivables relating to trading securities		(405)	164 541
Net decrease/(increase) in due from banks		66 005	(58 243)
Net decrease/(increase) in loans and advances to customers		191 524	(746 805)
Net (increase)/decrease in other financial assets		(100 816)	37 607
Net decrease in due to banks		(251 001)	(89 771)
Net increase in funding from companies within the Group		222 318	294 470
Net (decrease)/increase in other financial liabilities		(238 384)	475 792
Net cash (used in)/from operating activities		**(94 323)**	**55 775**
Cash flows from investing activities			
Acquisition of investments in companies within the Group	11	(104)	-
Proceeds from disposal of investments in companies within the Group	11	1 354	-
Acquisition of intangible assets, equipment and leasehold improvements		(22)	(53)
Dividends received		154	475
Proceeds from disposal of investments available for sale		-	1 619
Net cash from investing activities		**1 382**	**2 041**
Net (decrease)/increase in cash and cash equivalents		**(92 941)**	**57 816**
Cash and cash equivalents at the beginning of the year	7	207 041	146 120
Effect of exchange rate changes on cash and cash equivalents		9 137	3 105
Cash and cash equivalents at the end of the year	7	**123 237**	**207 041**

Refer to Note 12 for the information on significant non-cash transactions.

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012 for Alfa Capital Holdings (Cyprus) Ltd (the “Company”). The Company was incorporated on 23 April 1996 in Cyprus, when it was assigned a registration number 78416, under the provision of the Cyprus Company Law, Cap. 113. The Company is a subsidiary of Alfa Banking Group (the “Group”). The Group is formed by ABH Financial Limited (the “Parent”) and its subsidiaries including OJSC “Alfa-Bank”.

At 31 December the ownership structure of the Company was as follows:

	2012	2011
ABH Financial Limited	80.1%	30.3%
OJSC Alfa-Bank	19.9%	69.7%
Total	100%	100%

The Parent prior to 4 April 2011 was registered in the British Virgin Islands and since 4 April 2011 is registered in Cyprus. The Parent is wholly owned by ABH Russia Limited, a Cyprus company, which in turn is a 97.4% owned subsidiary of ABH Holdings S.A. (“ABHH”), a Luxembourg company, owned by six individuals. Mr. Fridman, Mr. Khan and Mr. Kuzmichev (the “Controlling Shareholders”) collectively control and own a 77.86% interest in ABHH. None of the Controlling Shareholders individually controls and/or owns a 50% or more interest in ABHH.

Principal activity. The Company’s principal activities are operations with equity and debt securities and investments, investment of surplus cash into interest earning bonds, deposits, loans and other financial instruments and the provision of financial services to international clients and the Group.

The Company is regulated by the Cyprus Securities Exchange Commission (“CySEC”). The Company holds a license from CySEC to engage principally in brokerage activities and proprietary trading. The license entitles the Company to operate both locally (with certain restrictions) and outside Cyprus. In compliance with CySEC requirements aimed to improve market discipline the Company will publish the disclosures as described in the Directive DI144-2007-05 on the Company's website (www.alfacapital.com.cy).

Registered address and place of business. The Company is registered at Elenion Building, 2nd floor, 5 Themistocles Dervis Street, CY-1066, Nicosia, Cyprus.

The Company has a branch in London, United Kingdom, named Alfa Capital Markets. The branch is an extension for corporate finance advisory and underwriting services offered by the Company in the international capital markets and is regulated by the Financial Services Authority of United Kingdom and CySEC. The branch is registered at 14th Floor, 1 Angel Court, EC2R 7HJ, London, United Kingdom.

Presentation currency. These financial statements are presented in US Dollars ("USD"), unless otherwise stated.

2 Operating Environment of the Company

The Company, through its operations, has a significant exposure to the economy and financial markets of the Russian Federation and Cyprus.

Cyprus. The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. Further to the negotiations of the Republic of Cyprus with the European Commission, the European Central Bank and the International Monetary Fund (Troika) for the purpose of obtaining financing, on 25 March 2013 the Eurogroup has agreed with the Cyprus government a bailout or financial assistance to be provided to Cyprus with a package of measures that included the split of Laiki bank into a good (depositors with amounts up to €100 thousand) and bad bank (depositors with amounts over €100 thousand); and a conversion of certain percentage of uninsured deposits (amounts over €100 thousand) on Bank of Cyprus depositors into equity instruments. In addition the corporate tax rate was increased from 10% to 12,5%.

2 Operating Environment of the Company (Continued)

The Company did not hold any bank deposits at 26 March 2013 in the above two Cypriot banks and any other Cypriot banks and as such no loss will arise from these measures. The Company did not hold any Greek or Cypriot issued sovereign bonds. The Company's management is also continually monitoring the developments in order to estimate the full impact that the bailout related measures may have on the business of the Company either directly or indirectly with regard to the underlying economic conditions of the Company's trading counterparts. Based on management's assessment, these measures are not expected to have any adverse impact on the Company's operations.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation (Note 23).

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors. Management determined impairment provisions using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113 under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Separate financial statements. These financial statements are separate financial statements in which the Company's investments in subsidiaries and associated companies are accounted for at cost less provision for impairment and income from such investments is recorded only to the extent of distributions from the investees when the Company's right to receive such distributions is established. Subsidiaries are those companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. The Company took advantage of the exemption for the non-preparation of consolidated financial statements under IAS 27 "Consolidated and Separate Financial Statements". Consolidated financial statements are prepared by ABH Financial Limited and can be reviewed on the webpage: http://alfabank.com/investor/financial_reports/financial_statements_ifrs.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Company may use mid-market prices as a basis for establishing fair values for the offsetting risk positions, and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

3 Summary of Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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

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

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

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

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash within a day and which are subject to an insignificant risk of changes in value. Funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

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 Company classifies securities into trading securities if it has an intention to sell them within a short period after purchase. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Company has the intention and ability to hold these financial assets for the foreseeable future, or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. Dividends are included in dividend income within when the Company's right to receive the dividend payment is established, and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to banks.

Securities purchased under agreements to resell ("reverse repo agreements") which effectively provide a lender's return to the Company are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss within gains or losses from operations with trading securities. The obligation to return the securities is recorded at fair value in other financial liabilities.

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Company obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.
- For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed.

This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

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

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

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

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Company controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

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

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

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note.

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

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

3 Summary of Significant Accounting Policies (Continued)

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Company retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Foreign currency translation. Monetary assets and liabilities are translated into each entity's functional currency at the exchange rate at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effect of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

The Company used the following period end rates for translation into USD:

	31 December 2012	**31 December 2011**
1 RR	0.0329	0.0311
1 EURO	1.3245	1.2943

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

***Going concern**.* Management prepared these financial statements on a going concern basis.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Company 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:

Functional currency of the Company. Functional currency of the Company is the currency of the primary economic environment in which it operates. These financial statements have been presented in US Dollars and the functional currency of the Company is US Dollars. The functional currency of the Company has been determined based on the underlying economic conditions of its operations. This determination of what the specific underlying economic conditions are requires judgment. In making this judgment, the Company evaluates, among other factors, the location of its activities, the sources of its revenue, risks associated with its activities and currency denomination of its operations. Specifically, in determination of its functional currency the Company based its judgment on the fact that it operates internationally on markets mainly influenced by the US Dollar (not Russian Rouble) and its major activities include provision of services to international investors. Moreover, the majority of the Company's operations are denominated in US Dollar and also, the US Dollar is the currency in which the business risks and exposures are managed and the performance of the business is measured. Given the significant exposure of the Company to the economy and financial markets of the Russian Federation (Note 2), the alternative to US Dollars as a functional currency for the Company would have been Russian Roubles. In such a case the Company would have recorded foreign exchange translation gains less losses related to its US Dollar balances in the profit or loss and, considering the presentation of the financial statements in US Dollars, respective translation movement within other comprehensive income.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Management is unable to reliably estimate what those amounts recorded would have been in such a case.

Fair value of derivatives and certain other instruments. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 26.

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

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Company from 1 January 2012:

"Disclosures—Transfers of Financial Assets" – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The standard requires these new disclosures to be presented in a separate note. Refer to Note 24.

Other revised standards and interpretations: The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, did not have any impact on these financial statements. The amendment to IAS 12 "Income taxes", which introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, did not have a material impact on these financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Company has not early adopted.

IFRS 9 "Financial Instruments Part 1: Classification and Measurement"*. IFRS 9, issued in November 2010, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

6 New Accounting Pronouncements (Continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss.

  There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

IFRS 10 “Consolidated Financial Statements“ (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 11 “Joint Arrangements“ (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Venturers”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 12 “Disclosure of Interests in Other Entities“ (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13 “Fair Value Measurement“ (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company is currently assessing the impact of the standard on its financial statements.

IAS 27 “Separate Financial Statements“ (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 “Consolidated Financial Statements”. The Company is currently assessing the impact of the standard on its financial statements.

6 New Accounting Pronouncements (Continued)

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Company expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows:

"Disclosures - Offsetting Financial Assets and Financial Liabilities" - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

6 New Accounting Pronouncements (Continued)

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Government Loans" (issued in March 2012 and effective for annual periods beginning 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers.

Other revised standards and interpretations: IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"*, considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation will not have an impact on the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014)*.

*Not adopted by the European Union.

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

7 Cash and Cash Equivalents

In thousands of US Dollars	**2012**	**2011**
Cash balances with Russian banks	35 581	117 496
Cash balances with non-Russian banks	87 656	89 545
Total cash and cash equivalents	**123 237**	**207 041**

The credit quality of cash and cash equivalents balances may be summarised as follows:

In thousands of US Dollars	**2012**	**2011**
Neither past due nor impaired		
Standard and Poor's		
- A- to AAA rated	78 151	80 929
- B- to BBB rated	45 025	126 052
- lower than BBB rated	61	46
Other	-	14
Total cash and cash equivalents	**123 237**	**207 041**

Cash and cash equivalents are carried at amortised cost which approximates current fair value. Geographical, currency, maturity and interest rate analysis of cash and cash equivalents is disclosed in Note 21. Information on related party balances is disclosed in Note 27.

8 Trading Securities and Repurchase Receivables

In thousands of US Dollars	2012	2011
Trading securities		
Corporate bonds	76 608	31 655
Corporate Eurobonds	33 767	44 162
Eurobonds of other states	95	2 842
Total debt trading securities	**110 470**	**78 659**
Corporate shares	58 433	46 951
ADRs and GDRs	12 576	23 370
Total equity trading securities	**71 009**	**70 321**
Total trading securities	**181 479**	**148 980**
Repurchase receivables		
Corporate Eurobonds	206 815	359 086
Eurobonds of other states	34 881	28 843
Repurchase receivables relating to debt trading securities	**241 696**	**387 929**
Corporate shares	168 796	2 970
ADRs and GDRs	24 531	-
Total repurchase receivables relating to equity trading securities	**193 327**	**2 970**
Total repurchase receivables relating to trading securities	**435 023**	**390 899**
Total trading securities and repurchase receivables	**616 502**	**539 879**

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Company does not analyse or monitor impairment indicators.

The Company is licensed by the Cyprus Commission on Securities Markets for trading in securities.

Corporate Eurobonds are interest-bearing securities denominated in USD and RUR, issued mainly by large Russian companies, and are freely tradable internationally. At 31 December 2012 these bonds have maturity dates ranging from April 2013 to April 2044 (2011: from February 2012 to July 2035), coupon rates ranging from 4.42% to 13% p.a. (2011: from 4 % to 20 % p.a.) and yields to maturity from 2.43% to 88.21% p.a. (2011: from 4.28% to 32.51% p.a.), depending on the type of bond issue.

Corporate Bonds are interest-bearing securities denominated in USD and RUR, issued mainly by large Russian companies, and are freely tradable internationally. At 31 December 2012 these bonds have maturity dates ranging from June 2014 to September 2015 (2011: December 2012), coupon rates from 3.30% to 13.25 % p.a.(2011: 9.25% p.a.) and yields to maturity from 1.64% to 13.09 p.a.(2011: 2.32%).

Information on transferred or pledged trading securities and repurchase receivables is disclosed in Note 24.

American Depository Receipts ("ADRs") and Global Depository Receipts ("GDRs") are based on shares of major Russian companies and are freely tradable internationally.

Corporate shares are shares of major Russian companies and are freely tradable internationally.

8 Trading Securities and Repurchase Receivables (continued)

The Company assesses the credit quality of debt trading securities and repurchase receivables related to debt trading securities based on credit agencies' ratings of issuers. The credit quality of debt trading securities and repurchase receivables relating to debt trading securities at 31 December 2012 and 2011 was as follows:

In thousands of US Dollars	**2012**	**2011**
Trading securities		
Neither past due nor impaired (at fair value)		
Standard and Poor's		
- B- to BBB rated	1 097	18 034
Moody's		
- A3 to Aaa rated	-	60
- B3 to Baa1 rated	76 977	33 349
- Lower than Caa rated	-	23
Counterparties without external credit rating	32 396	26 368
Total neither past due nor impaired	**110 470**	**77 834**
Individually determined to be impaired (at fair value)		
-more than 360 days overdue	-	825
Total individually determined to be impaired	**-**	**825**
Total debt trading securities	**110 470**	**78 659**
Repurchase receivables		
Neither past due nor impaired (at fair value)		
Standard and Poor's		
- B- to BBB rated	52 159	293 231
Moody's		
- A3 to Aaa rated	-	10 202
- B3 to Baa1 rated	161 914	84 496
Counterparties without external credit rating	27 623	-
Total repurchase receivables relating to debt trading securities	**241 696**	**387 929**

Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. Information on trading securities issued by related parties is disclosed in Note 27.

9 Due from Other Banks

In thousands of US Dollars	**2012**	**2011**
Reverse sale and repurchase agreements	37 747	269 700
Margin deposits	208 207	38 408
Total due from other banks	**245 954**	**308 108**

Except for reverse sale and repurchase agreements, amounts due from other banks are not collateralised.

At 31 December 2012 reverse sale and repurchase agreements with other banks were effectively collateralized by securities purchased under reverse sale and repurchase agreements with a fair value of USD 36 805 thousand (2011: USD 254 257 thousand).

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2012, is as follows:

9 Due from Other Banks (continued)

In thousands of US Dollars	**Margin deposits**	**Reverse sale and repurchase agreements**	**Total**
Neither past due nor impaired			
Standard and Poor's			
- A+ to AAA rated	208 192	31 439	239 631
- B- to BBB rated	-	6 308	6 308
- Unrated	15	-	15
Total due from other banks	**208 207**	**37 747**	**245 954**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2011, is as follows:

In thousands of US Dollars	**Margin deposits**	**Reverse sale and repurchase agreements**	**Total**
Neither past due nor impaired			
Standard and Poor's			
- A- to AAA rated	38 408	255 264	293 672
- B- to BBB rated	-	5 118	5 118
Moody's			
- B3 to Baa1 rated	-	9 318	9 318
Total due from other banks	**38 408**	**269 700**	**308 108**

At 31 December 2012 and 2011 the estimated fair value of each class of financial assets included in due from banks approximates its carrying value. Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. Information on amount due from related parties is disclosed in Note 27.

10 Loans and Advances to Customers

In thousands of US Dollars	**2012**	**2011**
Reverse sale and repurchase agreements	554 844	801 577
Other loans and advances to customers	56 038	988
Total loans and advances to customers	**610 882**	**802 565**

At 31 December 2012 aggregate reverse sale and repurchase agreements with four largest counterparties amounted to USD 534 297 thousands or 96% of reverse sale and repurchase agreements with customers (2011: four largest counterparties amounted to USD 796 945 thousands or 99% of reverse sale and repurchase agreements).

At 31 December 2012 reverse sale and repurchase agreements with customers were effectively collateralized by securities purchased under reverse sale and repurchase agreements with a fair value of USD 848 828 thousand (2011: USD 1 242 583 thousand).

10 Loans and Advances to Customers (continued)

The Company assesses the credit quality of loans and advances to customers based on credit agencies' ratings. For those counterparties with no external rating available the Company assumes that the credit history and occurrence of defaults in the past can serve as a reasonable indicator for differentiation of the credit quality. Thus, the Company splits loans and advances to customers with no external rating into two groups:

Group 1 – new customers (credit history of less than 6 months);

Group 2 – existing customers (credit history of more than 6 months) with no defaults in the past.

Analysis by credit quality of loans outstanding at 31 December 2012 and 31 December 2011 was as follows:

In thousands of US Dollars	**2012**	**2011**
Neither past due nor impaired		
Standard and Poor's		
- A- to AAA rated	55 882	-
Moody's		
- B1 to Baa3 rated	14 835	227
Counterparties without external credit rating		
- Group 1	-	318 507
- Group 2	540 165	483 831
Total loans and advances to customers	**610 882**	**802 565**

The Company does not analyse financial effect of collateral for reverse sale and repurchase agreements since the Company would not originate these instruments without collateral.

At 31 December 2012 and 2011 the estimated fair value of each class of financial assets included in loans and advances to customers approximated their carrying value. Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. Information on related parties is disclosed in Note 27.

11 Investments in Companies within the Group

In thousands of US Dollars	**2012**	**2011**
Investments in companies within the Group at cost		
Alfa-Bank (Russian Federation, 0.1136%)	27 964	27 964
Alfa Capital LLC (Ukraine, 100.00%)	-	3 000
Other	104	-
Less: provision for impairment	(25 308)	(25 308)
Total investments in companies within the Group	**2 760**	**5 656**

The provision for impairment in the amount of USD 25 308 thousand was estimated by Management on the basis of considering financial information of the companies.

During 2012 the Company received USD 1 354 thousand as a result of liquidation of Alfa Capital LLC.

12 Other Financial Assets

In thousands of US Dollars	Note	2012	2011
Receivables on operations with securities and foreign currencies		173 265	177 289
Positive fair value of derivatives	25	466 476	149 726
Other		1 535	2 143
Total other financial assets		**641 276**	**329 158**

During the year ended 31 December 2012 certain derivative balances from the company within the Group were settled by netting with margin deposits of other company within the Group in the amount of USD 50 858 thousand. Refer to Note 14.

The Company assesses the credit quality of other financial assets based on credit agencies' ratings of counterparties. For those counterparties with no external rating available the Company assumes that the credit history and occurrence of defaults in the past can serve as a reasonable indicator for differentiation of the credit quality. Thus, the Company splits other financial assets with counterparties with no external rating into two groups:

Group 1 – new customers (credit history of less than 6 months);

Group 2 – existing customers (credit history of more than 6 months) with no defaults in the past.

The credit quality of other financial assets at 31 December 2012 was as follows:

In thousands of US Dollars	**Receivables on operations with securities and foreign currencies**	**Positive fair value of derivatives**	**Other**	**Total**
Neither past due nor impaired				
Standard and Poor's				
- A to AAA rated	2 459	175 488	-	177 947
- B- to BBB rated	89 991	4 149	88	94 228
Counterparties without external credit rating				
- Group 1	308	5 841	-	6 149
- Group 2	80 507	280 998	1 447	362 952
Total other financial assets	**173 265**	**466 476**	**1 535**	**641 276**

12 Other Financial Assets (Continued)

Analysis by credit quality of other financial assets outstanding at 31 December 2011 was as follows:

In thousands of US Dollars	**Receivables on operations with securities and foreign currencies**	**Positive fair value of derivatives**	**Other**	**Total**
Neither past due nor impaired				
Standard and Poor's				
- A to AAA rated	1 526	66 415	-	67 941
- B- to BBB rated	31	14 590	-	14 621
Moody's				
- A3 to Aaa rated	-	2 186	-	2 186
- B1 to Baa1 rated	4	-	-	4
Counterparties without external credit rating				
- Group 2	175 728	66 535	2 143	244 406
Total other financial assets	**177 289**	**149 726**	**2 143**	**329 158**

At 31 December 2012 and 2011 the estimated fair value of each class of other financial assets approximated their carrying value. Refer to Note 25 for information on derivative financial instruments. Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. Information on related parties is disclosed in Note 27.

13 Due to Banks

In thousands of US Dollars	**2012**	**2011**
Sale and repurchase agreements	205 070	454 154
Margin deposits	5 533	2 586
Total due to banks	**210 603**	**456 740**

At 31 December 2012 sale and repurchase receivables were effectively secured by trading securities in the amount of USD 435 023 thousand (2011: USD 390 899 thousand) (Note 8) and trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 97 296 thousand (2011: USD 327 685 thousand) (Note 9 and 10).

Information on transferred and pledged amounts due to other banks is disclosed in Note 24.

At 31 December 2012 and 2011 the estimated fair value of each class of financial liabilities included in due to banks approximated their carrying value. Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. Information on related parties is disclosed in Note 27.

14 Other Financial Liabilities

In thousands of US Dollars	2012	2011
Negative fair value of derivatives	396 481	132 137
Margin deposits	348 572	366 455
Trading securities sold not yet purchased	118 583	328 404
Payables on operations with securities and foreign currencies	32 991	25 608
Dividends payable	23 236	23 816
Other	1 398	5 827
Total other financial liabilities	**921 261**	**882 247**

During the year ended 31 December 2012 certain derivative balances payable to the company within the Group were settled by netting with margin deposits of other company within the Group in the amount of USD 50 858 thousand. Refer to Note 12.

At 31 December 2012 and 2011 the estimated fair value of each class of other financial liabilities approximated their carrying value. Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. Information on related parties is disclosed in Note 27.

15 Share Capital

In thousands of US Dollars except for number of shares	Number of outstanding shares	Ordinary shares	Share premium	Total
At 1 January 2011, 31 December 2011 and 31 December 2012	**3 000 000**	**6 017**	**173 997**	**180 014**

At 31 December 2012 and 2011 authorised, issued and fully paid capital consisted of 3 000 000 ordinary shares of EUR 1.71 each. All shares rank equally and carry one vote.

16 Interest Income and Expense

In thousands of US Dollars	2012	2011
Interest income		
Debt trading securities and repurchase receivables relating to trading securities	28 905	26 245
Loans and advances to customers	22 133	10 014
Due from banks	3 636	3 100
Other	4 019	251
Total interest income	**58 693**	**39 610**
Interest expense		
Funding from companies within the Group	41 429	25 615
Due to banks	6 297	4 880
Margin deposits	6 839	3 803
Other	24	19
Total interest expense	**54 589**	**34 317**
Net interest income	**4 104**	**5 293**

Information on transactions with related parties is disclosed in Note 27.

17 Fee and Commission Income and Expense

In thousands of US Dollars	2012	2011
Fee and commission income		
Transactions with securities	2 813	2 651
Consulting services	659	4 079
Other	-	23
Total fee and commission income	**3 472**	**6 753**
Fee and commission expense		
Transactions with securities	3 400	5 500
Cash and foreign currency exchange transactions	1 608	882
Other	115	39
Total fee and commission expense	**5 123**	**6 421**
Net fee and commission (expense)/income	**(1 651)**	**332**

Information on transactions with related parties is disclosed in Note 27.

18 Other Operating Income

In thousands of US Dollars	2012	2011
Gains from commodities options	2 250	-
Dividend income	154	475
Other	354	498
Total other operating income	**2 758**	**973**

Information on transactions with related parties is disclosed in Note 27.

19 Operating Expenses

In thousands of US Dollars	2012	2011
Staff costs	3 544	4 012
Consulting and professional services	3 187	2 695
Depreciation and amortization	234	1 865
Communications	298	304
Rent, heat and utilities	400	372
Other	1 056	1 707
Total administrative and other operating expenses	**8 719**	**10 955**

Information on transactions with related parties is disclosed in Note 27.

Consulting and professional services expenses stated above include audit fees of USD12 thousand (2011: USD13 thousand), fees of USD151 thousand (2011: USD148 thousand) for tax consultancy services and USD50 thousand (2011: USD121 thousand) for other services charged by the Company's statutory audit firm.

20 Income Taxes

In thousands of US Dollars	2012	2011
Current tax		
Corporation tax	3 114	468
Income tax charge for the year	**3 114**	**468**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

In thousands of US Dollars	2012	2011
Accounting profit before tax	**5 512**	**68 963**
Theoretical tax charge at the applicable rate 10%	551	6 896
Tax effect of expenses not deductible for tax purposes	3 715	458
Tax effect of allowances and income not subject to tax	(1 152)	(6 533)
Tax effect of losses brought forward	-	(353)
Income tax charge	**3 114**	**468**

The Company is subject to corporation tax on taxable profits at the rate of 10%. The corporation tax rate increased to 12,5% from 1 January 2013.

As from tax year 2012, the tax loss incurred during a tax year can be set off against profits of the next five years.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011; increased to 30% as from April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc) are exempt from Cyprus income tax.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

Tax effects of components of other comprehensive income

	Year ended 31 December					
In thousands of US Dollars	**2012**			2011		
	Before tax	**Tax (charge)/ credit**	**After tax**	Before tax	Tax (charge)/ credit	After tax
Available-for-sale financial assets:						
Fair value loss	**-**	**-**	**-**	270	-	270

21 Financial Risk Management

The risk management function within the Company is based on the policy adopted by the Parent and carried out in respect of financial risks (market, credit, geographical, currency, liquidity and interest rate), operational and legal risks. The primary objective of the financial risk management function is to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures and procedures to minimize operational and legal risks. The primary objective of the Group's risk management is to achieve an optimal level of risk-return of its operations.

Credit risk. The Company takes on exposure to credit risk that is the risk that a counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry sectors. Such risks are monitored on a revolving basis and subject to regular review. The Executive Board of the Group regularly approves limits on the level of credit risk by product, borrower and industry sectors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

The Risk Management Department reviews the analysis and the appropriateness of the ratings assignment and draws a conclusion. The conclusion of the Risk Management Department and the financial analysis of the counterparties are given for the consideration to Management.

The level of credit risk exposure of the Company is subject to a monitoring process.

Exposure to credit risk is managed by the Credit Department and the Risk Management Department of the Group through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and guarantees. The Credit Department identifies potentially problematic deals using unambiguous set of criteria to assign a problem status to a transaction, as well as escalation procedures based on problem status.

Portfolio concentration limits are checked on a weekly basis and reported to the Credit Committee, as well as situations where limits utilization is close to maximum. The Credit Committee ensures that the impact of new transactions on the concentration within the portfolio is commensurate with the Group's risk appetite and portfolio limit structure.

Any significant exposures to customers with deteriorating creditworthiness are reported to and reviewed by Management.

There is a control environment established in the Company, in which all of its activities relating to credit exposure are taking place. The purpose of the implemented controls is to ensure a strict adherence to Group's policies and procedures. Credit exposure is a subject of active management. Procedures are in place that ensure timely recognition and prompt reaction to transactions showing signs of deterioration. Responses include reduction of the exposure, obtaining additional collateral, restructuring or other steps, as appropriate.

Incorporated in risk assessment and lending decisions is a credit risk premium. The credit risk premium seeks to provide a fair compensation for the amount of credit risk accepted by the Company.

The amount of the Company's maximum exposure to credit risk is reflected in the carrying value of financial assets in the statement of financial position.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in currency, interest rate and equity products (price risk), all of which are exposed to general and specific market movements.

The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The risk management function is carried out by a centralized Risk Management Department of the Group. Limits on securities are approved by Assets and Liabilities Committee of the Group ("ALCO") based on analyses performed by the Group's Risk Management Department.

21 Financial Risk Management (Continued)

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2012:

In thousands of US Dollars	**USD**	**RUR**	**Other currencies**	**Non-monetary**	**Total**
Assets					
Cash and cash equivalents	96 940	18 499	7 798	-	123 237
Trading securities	33 804	74 478	2 188	71 009	181 479
Repurchase receivables relating to trading securities	205 212	36 484	-	193 327	435 023
Due from other banks	182 114	6 308	57 532	-	245 954
Loans and advances to customers	590 336	20 546	-	-	610 882
Investments in companies within the Group	-	-	-	2 760	2 760
Current income tax prepayment	215	-	565	-	780
Intangible assets, equipment and leasehold improvements	-	-	-	310	310
Other financial assets	427 290	209 799	4 187	-	641 276
Total assets	**1 535 911**	**366 114**	**72 270**	**267 406**	**2 241 701**
Liabilities					
Due to banks	171 606	36 431	2 566	-	210 603
Funding from companies within the Group	49 256	601 497	-	-	650 753
Current income tax liability	-	-	-	4 685	4 685
Other financial liabilities	606 323	287 755	27 183	-	921 261
Total liabilities	**827 185**	**925 683**	**29 749**	**4 685**	**1 787 302**
Net balance sheet position	**708 726**	**(559 569)**	**42 521**	**262 721**	**454 399**
Net balance sheet position less fair value of foreign currency exchange derivatives	**708 573**	**(558 389)**	**42 054**	**262 721**	**454 959**
Derivatives (Note 25)	**84 431**	**(127 771)**	**42 780**	**-**	**(560)**
Net balance sheet and derivatives position at 31 December 2012	**793 004**	**(686 160)**	**84 834**	**262 721**	**454 399**

21 Financial Risk Management (Continued)

The table below summaries the Company's exposure to foreign currency exchange rate risk at 31 December 2011:

In thousands of US Dollars	USD	RUR	Other currencies	Non-monetary	Total
Assets					
Cash and cash equivalents	128 914	39 183	38 944	-	207 041
Trading securities	36 860	40 553	1 246	70 321	148 980
Repurchase receivables relating to trading securities	387 813	-	116	2 970	390 899
Due from banks	293 406	14 436	266	-	308 108
Loans and advances to customers	781 629	20 936	-	-	802 565
Investments in companies within the Group	-	-	-	5 656	5 656
Current income tax prepayment	-	-	933	-	933
Intangible assets, equipment and leasehold improvements	-	-	-	522	522
Other financial assets	270 341	56 155	2 552	110	329 158
Total assets	**1 898 963**	**171 263**	**44 057**	**79 579**	**2 193 862**
Liabilities					
Due to banks	425 252	28 906	2 582	-	456 740
Funding from companies within the Group	-	401 291	-	-	401 291
Current income tax liability	-	-	-	1 583	1 583
Other financial liabilities	567 729	102 696	211 758	64	882 247
Total liabilities	**992 981**	**532 893**	**214 340**	**1 647**	**1 741 861**
Net balance sheet position	**905 982**	**(361 630)**	**(170 283)**	**77 932**	**452 001**
Net balance sheet position less fair value of foreign currency exchange derivatives	**910 827**	**(383 144)**	**(158 723)**	**77 932**	**446 892**
Derivatives (Note 25)	**(18 560)**	**25 906**	**(2 237)**	**-**	**5 109**
Net balance sheet and derivatives position at 31 December 2011	**892 267**	**(357 238)**	**(160 960)**	**77 932**	**452 001**

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Company agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 25. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Company entities, with all other variables held constant:

	2012	**2011**
In thousands of US Dollars	**Impact on profit or loss (pre-tax)**	**Impact on profit or loss (pre-tax)**
Russian Rouble strengthening by 10%	(68 616)	(35 724)
Russian Rouble weakening by 10%	68 616	35 724
Other strengthening by 10%	8 483	(16 069)
Other weakening by 10%	(8 483)	16 069

21 Financial Risk Management (Continued)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of US Dollars	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-interest bearing**	**Total**
31 December 2012						
Total financial assets	1 358 817	210 203	254 199	150 296	267 096	2 240 611
Total financial liabilities	787 508	706 607	213 578	74 924	-	1 782 617
Net interest sensitivity gap at 31 December 2012	**571 309**	**(496 404)**	**40 621**	**75 372**	**267 096**	**457 994**
31 December 2011						
Total financial assets	1 577 214	299 275	200 714	33 809	75 739	2 186 751
Total financial liabilities	1 187 681	379 915	140 517	32 165	-	1 740 278
Net interest sensitivity gap at 31 December 2011	**389 533**	**(80 640)**	**60 197**	**1 644**	**75 739**	**446 473**

Trading securities and repurchase receivables relating to debt trading securities are actively traded by the Company and therefore constantly repriced. The entire balance of trading securities and repurchase receivables for the purposes of the above analysis is allocated in caption "demand and less than 1 month".

At 31 December 2012, if interest rates at that date had been 100 basis points lower (2011: 100 basis points lower) with all other variables held constant, profit for the year would have been USD 851 thousand lower (2011: USD 1 291 thousand lower).

At 31 December 2012, if interest rates at that date had been 100 basis points higher (2011: 100 basis points higher) with all other variables held constant, profit for the year would have been USD 851 thousand higher (2011: USD 1 291 thousand higher).

21 Financial Risk Management (Continued)

The Company monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting dates based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	2012			2011		
In % p.a.	**RUR**	**USD**	**Other**	**RUR**	**USD**	**Other**
Assets						
Cash and cash equivalents	0.00%	0.27%	0.55%	0.00%	0.00%	0.00%
Debt trading securities	9.60%	9.47%	9.50%	7.40%	9.10%	5.00%
Repurchase receivables	8.45%	9.23%	-	6.60%	-	4.00%
Due from other banks						
- margin deposits	0.00%	0.15%	0.08%	0.04%	0.00%	-
- reverse sale and repurchase agreements with banks	0.63%	(1.11%)*	(0.04%)*	2.05%	1.04%	-
Loans and advances to customers						
- reverse sale and repurchase agreements with customers	2.69%	5.37%	-	2.83%	5.50%	-
- other loans and advances to customers	0.16%	0.00%	-	5.99%	0.00%	-
Liabilities						
Due to other banks						
- sale and repurchase agreements with banks	5.55%	0.83%	-	1.20%	0.00%	-
- margin deposits	-	0.10%	0.01%	0.00%	0.00%	-
Funding from companies within the Group	10.93%	5.83%	-	-	8.23%	-

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

* At 31 December 2012 certain reverse sale and repurchase agreements had negative interest rates since the Company experienced the temporary shortage of certain securities.

Geographical risk concentrations. The geographical concentration of the Company's financial assets and liabilities at 31 December 2012 is set out below:

In thousands of US Dollars	**Russia**	**Europe**	**Other**	**Total**
Financial assets				
Cash and cash equivalents	35 581	87 656	-	123 237
Trading securities	171 987	1 429	8 063	181 479
Repurchase receivables relating to trading securities	331 891	68 251	34 881	435 023
Due from other banks	6 308	239 646	-	245 954
Loans and advances to customers	20 547	590 330	5	610 882
Investments in companies within the Group	2 760	-	-	2 760
Current income tax prepayment	-	780	-	780
Intangible assets, equipment and leasehold improvements	-	310	-	310
Other financial assets	271 033	368 341	1 902	641 276
Total assets	**840 107**	**1 356 743**	**44 851**	**2 241 701**
Financial liabilities				
Due to other banks	9 606	200 997	-	210 603
Funding from companies within the Group	650 753	-	-	650 753
Current income tax liability	-	4 685	-	4 685
Other financial liabilities	538 709	307 505	75 047	921 261
Total liabilities	**1 199 068**	**513 187**	**75 047**	**1 787 302**
Net position in on-balance sheet financial instruments	**(358 961)**	**843 556**	**(30 196)**	**454 399**

21 Financial Risk Management (Continued)

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia". Cash on hand have been allocated based on the country in which they are physically held.

The geographical concentration of the Company's financial assets and liabilities at 31 December 2011 is set out below:

In thousands of US Dollars	Russia	Europe	Other	Total
Financial assets				
Cash and cash equivalents	117 496	89 495	50	207 041
Trading securities	130 246	13 847	4 887	148 980
Repurchase receivables relating to trading securities	359 299	-	31 600	390 899
Due from other banks	14 436	293 672	-	308 108
Loans and advances to customers	230 245	571 904	416	802 565
Investments in companies within the Group	3 671	-	1 985	5 656
Current income tax prepayment	-	933	-	933
Intangible assets, equipment and leasehold improvements	-	522	-	522
Other financial assets	235 272	92 884	1 002	329 158
Total assets	**1 090 665**	**1 063 257**	**39 940**	**2 193 862**
Financial liabilities				
Due to other banks	137 673	319 067	-	456 740
Funding from companies within the Group	401 291	-	-	401 291
Current income tax liability	-	1 583	-	1 583
Other financial liabilities	459 211	394 007	29 029	882 247
Total liabilities	**998 175**	**714 657**	**29 029**	**1 741 861**
Net position in on-balance sheet financial instruments	**92 490**	**348 600**	**10 911**	**452 001**

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, availability of funding through an adequate amount of committed credit facilities and the ability to close out market position. The Company seeks to actively support a diversified and stable funding base comprising borrowings from the Group as well as external investors.

Management monitors rolling forecasts of the Company's liquidity reserve (comprises cash and cash equivalents and trading securities) on the basis of expected cash flows. This is generally carried out at the Group's and Company's level in accordance with practice and limits adopted by the Group. The Company prepares the liquidity profile of the financial assets and liabilities and builds up an adequate portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained for the Company.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, prices specified in deliverable forward agreements to purchase financial assets for cash, contractual amounts to be exchanged under a gross settled currency swaps. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of reporting period.

21 Financial Risk Management (Continued)

The undiscounted maturity analysis of financial liabilities at 31 December 2012 was as follows:

In thousands of US Dollars	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities					
Due to banks	72 068	14 832	126 193	-	213 093
Funding from companies within the Group	99 183	561 382	-	-	660 565
Other non-derivative financial liabilities	524 780	-	-	-	524 780
Gross settled derivatives					
-inflow	(424 420)	(288 102)	(52 571)	(104 744)	(869 837)
-outflow	488 608	292 526	91 009	98 381	970 524
Net settled derivatives	17 080	122 544	70 064	54	209 742
Total potential future payments for financial obligations	**777 299**	**703 182**	**234 695**	**(6 309)**	**1 708 867**

The undiscounted maturity analysis of financial liabilities at 31 December 2011 was as follows:

In thousands of US Dollars	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities					
Due to banks	417 685	19 628	20 196	-	457 509
Funding from companies within the Group	-	300 409	116 933	-	417 342
Other non-derivative financial liabilities	750 110	-	-	-	750 110
Gross settled derivatives					
-inflow	(504 313)	(38 171)	(28 849)	(190 261)	(761 594)
-outflow	493 713	24 058	26 216	190 126	734 113
Net settled derivatives	230 544	(59 641)	(6 877)	126 964	290 990
Total potential future payments for financial obligations	**1 387 739**	**246 283**	**127 619**	**126 829**	**1 888 470**

Payments in respect of gross settled forwards will be accompanied by related cash inflows as disclosed above.

21 Financial Risk Management (Continued)

The Company does not use the above undiscounted maturity to manage liquidity. Instead, the Company monitors expected maturity, which may be summarized at 31 December 2012 as follows:

In thousands of US Dollars	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents	123 237	-	-	-	-	123 237
Trading securities	181 479	-	-	-	-	181 479
Repurchase receivables	435 023	-	-	-	-	435 023
Due from other banks	236 613	-	9 341	-	-	245 954
Loans and advances to customers	452 358	12 168	146 356	-	-	610 882
Investments in companies within the Group	-	-	-	-	2 760	2 760
Current income tax prepayment	780	-	-	-	-	780
Intangible assets, equipment and leasehold improvements	-	-	-	-	310	310
Other financial assets	194 443	198 035	98 502	150 296	-	641 276
Total assets	**1 623 933**	**210 203**	**254 199**	**150 296**	**3 070**	**2 241 701**
Liabilities						
Due to other banks	79 371	14 755	116 477	-	-	210 603
Funding from companies within the Group	104 536	546 217	-	-	-	650 753
Current income tax liability	4 685	-	-	-	-	4 685
Other financial liabilities	603 601	145 635	97 101	74 924	-	921 261
Total liabilities	**792 193**	**706 607**	**213 578**	**74 924**	**-**	**1 787 302**
Net expected liquidity gap at 31 December 2012	**831 740**	**(496 404)**	**40 621**	**75 372**	**3 070**	**454 399**

21 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2011 is as follows:

In thousands of US Dollars	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents	207 041	-	-	-	-	207 041
Trading securities	148 980	-	-	-	-	148 980
Repurchase receivables	390 899	-	-	-	-	390 899
Due from other banks	231 283	-	76 825	-	-	308 108
Loans and advances to customers	459 300	227 495	115 770	-	-	802 565
Investments in companies within the Group	-	-	-	-	5 656	5 656
Current income tax prepayment	933	-	-	-	-	933
Intangible assets, equipment and leasehold improvements	-	-	-	-	522	522
Other financial assets	215 450	71 780	8 119	33 809		329 158
Total assets	**1 653 886**	**299 275**	**200 714**	**33 809**	**6 178**	**2 193 862**
Liabilities						
Due to other banks	417 067	19 494	20 179	-	-	456 740
Funding from companies within the Group	-	288 855	112 436	-	-	401 291
Other financial liabilities	770 614	71 566	7 902	32 165	-	882 247
Current income tax liability	1 583	-	-	-	-	1 583
Total liabilities	**1 189 264**	**379 915**	**140 517**	**32 165**	**-**	**1 741 861**
Net expected liquidity gap at 31 December 2011	**464 622**	**(80 640)**	**60 197**	**1 644**	**6 178**	**452 001**

22 Management of Capital

The Company's objectives when managing capital are (i) to comply with the capital adequacy requirements set by the regulator (CySEC), (ii) to ensure the Company's ability to continue as a going concern and (iii) to support the development of the business. The Company's policy of capital management is designated to maintain the capital base sufficient to keep the confidence of investors, creditors, other market participants and to secure future development of the Company.

Capital adequacy and the use of the regulatory capital are monitored daily by the Company's Management employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by CySEC, for supervisory purposes. The required information is filed with the authority on a monthly basis.

The Company plans its capital needs to be able to comply with CySEC capital adequacy requirements with a one year horizon. Under the current requirement set by CySEC the Company should maintain a ratio of eligible own funds (capital) to risk weighted assets ("capital adequacy ratio") above 8%. The risk-weighted assets are measured by means of a hierarchy of risk weights classified accordingly to the nature of (and reflecting an estimate of credit, market and other risks associated with) each asset and counterparty, taking into account any eligible collateral or guarantee. A similar treatment is adopted for off-balance sheet items, with some adjustments to reflect the more contingent nature of these potential exposures.

22 Management of Capital (Continued)

The Company performs medium and long term planning of growth in risk assets considering sufficiency of capital available. When necessary the Company develops and implements measures to increase its capital base.

The Company has complied with all externally imposed capital requirements throughout 2012 and 2011.

23 Contingencies and Commitments

Legal, regulatory and tax environment. The crossboarder securities industry often operates in an uncertain legal and tax environment. Efforts to enact comprehensive securities legislation continue. Furthermore, the Company operates in both Cypriot and Russian tax jurisdictions.

Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of Russian tax authorities, non-taxable status of the Company in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however it may be significant to the financial condition and/or the overall operations of the Company. The management of the Company is of the opinion that the operations of the Company are conducted in a manner that does not give rise to any material tax liabilities other than those provided for in these financial statements.

In the normal course of business, the Company must interpret and apply existing legislation to transactions with third parties and its own activities. In Management's opinion, the Company is substantially in compliance with the tax and other laws governing their operations; however, the risk remains that the relevant authorities could take differing positions with regard to interpretative issues and the effect could be significant.

To the best of Management's knowledge, no breaches of law have occurred. Thus, the Company has not recorded any provision for potential impact of any such breaches at 31 December 2012 and 2011.

Legal Proceedings. At 31 December 2012 and 2011 the Company was not engaged in any litigation proceedings.

Assets pledged and restricted. As at 31 December 2012 balances payable under sale and repurchase agreements were effectively secured by trading securities in the amount of USD 435 023 thousand (2011: USD 390 899 thousand) (Note 8) and trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 176 423 thousand (2011: USD 327 685 thousand) (Notes 9 and 10).

In addition, as at 31 December 2012 margin deposits in the amount of USD 208 207 thousand were placed with banks as collateral for transactions with derivatives (2011: USD 38 408 thousand). Refer to Note 9.

Trading securities sold not yet purchased. As disclosed in Note 14 the Company had obligation to deliver securities sold not yet purchased. Fulfilment of such obligation is subject to availability of respective securities on the market and their market price.

24 Transfer of financial assets

The Group transferred financial assets in transactions that did not qualify for derecognition in the current and prior periods:

Sale and repurchase transactions. At 31 December 2012 the Group had trading securities in the amount of USD 435 023 thousand that are subject to obligation to repurchase the securities for a fixed pre-determined price. At 31 December 2012 the carrying value of the liabilities associated with these sale and repurchase transactions was USD 205 070 thousand. The estimated fair value of associated liabilities is approximately equal to their carrying value.

25 Derivative Financial Instruments

Foreign exchange and other derivative financial instruments are generally traded in over-the-counter markets with professional market counterparties on standardised or specific contractual terms and conditions.

The principal amounts of certain types of financial instruments provide a basis for comparison with instruments recorded in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate contractual or principal amount of derivative financial instruments held and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The principal or agreed amounts and fair values of derivative instruments other than foreign exchange forward and swap contracts are set out in the following table. This table reflects gross positions before the netting of any counterparty positions by type of instrument and covers the contracts with a maturity date subsequent to respective reporting period.

	2012			2011		
In thousands of US Dollars	**Principal or agreed amount**	**Assets Positive fair value**	**Liabilities Negative fair value**	**Principal or agreed amount**	**Assets Positive fair value**	**Liabilities Negative fair value**
Deliverable forwards						
Securities						
- sale of securities	519 440	6 357	(66 113)	498 343	16 727	(2 891)
- purchase of securities	6 391	77	(47)	12	-	-
Non-deliverable forwards						
Securities						
- sale of securities	127 552	257	(180)	931	109	-
Call options						
Commodities						
- written call options	311 819	-	(14 374)	110 799	-	(1 108)
- purchased call options	318 589	14 648	-	110 799	1 108	-
Foreign currency						
-written put options	749 255	-	(20 823)	-	-	-
-purchased put options	676 978	20 845	-	-	-	-
Securities						
- written call options	724 044	-	(3 270)	577	-	(577)
- purchased call options	709 942	2 199	-	762	762	-
Put options						
Commodities						
- written put options	316 867	-	(24 276)	83 196	-	(1 508)
- purchased put options	310 097	24 002	-	83 196	1 508	-
Foreign currency						
-written put options	467 206	-	(8 456)	-	-	-
-purchased put options	612 134	8 456	-	-	-	-
Securities						
-written call options	21 705	-	(383)	2 016	-	(2 016)
-purchased call options	21 780	389	-	416	416	-
Futures						
Other base assets						
- sale of other base assets	5 592	-	(67)	2 684	-	(50)
Swaps						
Interest rate swaps-pay fixed interest, receive floating interest	-	-	-	31 060	801	-
Interest rate swaps-pay floating interest, receive fixed interest	-	-	-	31 060	-	(801)
Credit default swaps	527 500	131 314	-			
Foreign currency swap with embedded written option	268 745	-	(41 207)	-	-	-
Foreign currency swap with embedded purchased option	268 745	41 207	-	-	-	-
Total		**249 751**	**(179 196)**		**21 431**	**(8 951)**

25 Derivative Financial Instruments (Continued)

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Company. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature;

	2012		2011	
In thousands of US Dollars	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Deliverable forwards				
- USD receivable on settlement	-	-	37 341	-
- USD payable on settlement	-	-	-	(9 971)
- RR receivable on settlement	-	-	-	8 911
- RR payable on settlement	-	-	(32 267)	-
Non-deliverable forwards				
- USD receivable on settlement	7 269	3 031 273	1 799 130	227 229
- USD payable on settlement	(2 937 540)	(16 571)	(344 493)	(1 727 797)
- EUR receivable on settlement	23 499	287 730	129 830	621 824
- EUR payable on settlement	(276 893)	(243)	(621 824)	(130 238)
- RR receivable on settlement	3 389 239	-	984 125	1 778 344
- RR payable on settlement	-	(3 517 194)	(1 846 454)	(867 346)
- Other currencies receivable on settlement	10 076	5 686	11 021	5 815
- Other currencies payable on settlement	(7 214)	-	(9 075)	(9 995)
Deliverable swaps				
- USD payable on settlement	(31 385)	(63 356)	-	(70 705)
- USD receivable on settlement	63 356	31 385	70 706	-
- RUR payable on settlement	(59 875)	(32 897)	(65 364)	-
- RUR receivable on settlement	32 942	60 014	-	65 628
Non-deliverable swaps				
- USD receivable on settlement	-	-	38 671	-
- USD payable on settlement	-	-	-	(38 671)
- EUR receivable on settlement	140 037	-	139 489	-
- EUR payable on settlement	-	(139 898)	-	(139 084)
- RUR receivable on settlement	-	136 786	-	162 870
- RUR payable on settlement	(136 786)	-	(162 541)	-
Net fair value of foreign exchange forwards and swaps	**216 725**	**(217 285)**	**128 295**	**(123 186)**

Forward positions in securities at 31 December 2012 and 2011 are summarised below.

	2012		2011	
	Principal or agreed amount		**Principal or agreed amount**	
In thousands of US Dollars	**Sale**	**Purchase**	**Sale**	**Purchase**
Corporate Eurobonds	241 934	-	157 934	-
Corporate shares	192 401	5 993	29 706	12
Promissory notes	127 182	-	-	-
Corporate bonds	38 801	-	17 858	-
ADRs and GDRs	32 071	398	940	-
Eurobonds of other states	14 603	-	19 209	-
Municipal bonds	-	-	175 645	-
Russian Federation Eurobonds	-	-	69 803	-
Domestic bonds of Russia	-	-	28 179	-
Total	**646 992**	**6 391**	**499 274**	**12**

26 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading securities, repurchase receivables and investments available for sale are carried on the statement of financial position at their fair value. The fair value of investments in companies within the Group approximates their carrying amounts.

Financial instruments carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Fair values of due from banks and loans and advances to customers approximate their fair values. The carrying value less provision for impairment of other financial assets approximates their fair values.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The estimated fair value of balances with no stated maturity is the amount repayable on demand. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty.

The carrying value of financial liabilities approximates their fair values.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Their fair values are based on observable market prices. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities. The fair value of derivative financial instruments is disclosed in Note 25.

Discount rates used in determination of fair values depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

	2012	**2011**
Due from banks	(3.5%)* to 3.5 % p.a.	1.9% to 4.25% p.a.
Loans and advances to customers	(5%)* to 15% p.a.	(2%)* to 6% p.a.
Due to banks	0.0% to 15.10% p.a.	0.3% to 3.25% p.a.
Funding from companies within the Group	4.41% to 11.75% p.a.	7.79% to 8.65% p.a.

*At 31 December 2012 certain reverse sale and repurchase agreements had negative interest rates since the Company experienced the temporary shortage of certain securities on the market.

26 Fair Value of Financial Instruments (Continued)

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows:

	2012			2011		
In thousands of US Dollars	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)
Financial assets						
Trading securities	181 479	-	-	148 980	-	-
Repurchase receivables (trading securities)	435 023	-	-	390 899	-	-
Other financial assets						
Foreign exchange forward contracts	-	208 436	-	-	107 336	-
Other financial derivatives	1 424	256 616	-	16 836	25 554	-
Total financial assets carried at fair value	**617 926**	**465 052**	**-**	**556 715**	**132 890**	**-**
Financial liabilities						
Other financial liabilities						
- Foreign exchange forward contracts	-	209 319	-	-	103 025	-
- Other derivative financial instruments	66 340	120 822	-	2 891	26 221	-
Total financial liabilities carried at fair value	**66 340**	**330 141**	**-**	**2 891**	**129 246**	**-**

Methods and assumptions for valuation of financial assets included in Level 2 and Level 3 of the fair valuation hierarchy

Level 2. The fair value of derivative financial instruments allocated to Level 2 has been determined based on the discounted cash flow models with all significant inputs observable in the market.

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.

27 Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As the Company is a member of the Group (Note 1), the other companies within the Group and companies related to the Group are considered to be related parties and transactions with these companies to be related party transactions.

27 Related Party Transactions (Continued)

The outstanding balances as at the end of year and income and expense items as well as other transactions for the year with related parties were as follows:

In thousands of US Dollars	2012 Companies within the Group	2012 Other related parties	2012 Total	2011 Companies within the Group	2011 Other related parties	2011 Total
Assets						
Cash and cash equivalents	45 015	-	45 015	126 002	50	126 052
Trading securities	76 343	-	76 343	37 824	2 181	40 005
Repurchase receivables	-	-	-	-	56 711	56 711
Due from other banks	6 308	-	6 308	4 586	-	4 586
Investments in companies within the Group	2 760	-	2 760	5 656	-	5 656
Other financial assets	453 144	966	454 110	227 783	3 429	231 212
Total assets with related parties	**583 570**	**966**	**584 536**	**401 851**	**62 371**	**464 222**
Liabilities						
Due to banks	9 606	-	9 606	138 156	-	138 156
Funding from companies within the Group	650 753	-	650 753	401 291	-	401 291
Other financial liabilities	240 933	140 487	381 420	304 540	11 585	316 125
Total liabilities with related parties	**901 292**	**140 487**	**1 041 779**	**843 987**	**11 585**	**855 572**

Information on interest rates, maturity and currency of funding from companies within the Group is disclosed in Note 21.

The income and expense items with related parties for 2012 and 2011 were as follows:

In thousands of US Dollars	2012 Companies within the Group	2012 Other related parties	2012 Total	2011 Companies within the Group	2011 Other related parties	2011 Total
Interest income	116	2 748	2 864	516	3	519
Interest expense	(43 393)	(1 497)	(44 890)	(27 557)	(534)	(28 091)
Fee and commission expense	(1 478)	-	(1 478)	(3 696)	(545)	(4 241)
Gains less losses arising from trading securities	53 629	(5 944)	47 685	54 259	2 056	56 315
Gains less losses arising from foreign currencies	57 488	-	57 488	164 850	-	164 850
Gains less losses arising from interest based derivatives	801	-	801	1 195	-	1 195
Other operating income	2 250	-	2 250	(1 162)	-	(1 162)
Operating expense	(1 730)	(227)	(1 957)	(1 195)	-	(1 195)
Total income/(expense) from transactions with related parties	**67 683**	**(4 920)**	**62 763**	**187 210**	**980**	**188 190**

28 Events After the End of the Reporting Period

Refer to Note 2 for the information on the recent instability in Cypriot economic environment.

Independent auditor's report on pages 4 to 5.