ALFA CAPITAL HOLDINGS (CYPRUS) LIMITED

International Financial Reporting Standards
Financial Statements and
Independent Auditor's Report

31 December 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Notes to the Financial Statements

Board of Directors and other officers

Board of Directors

Pavel Nazariyan
Andriy Glavatskyy
Constantinos Constantinou
Simon Roache
Yiola Stavraki
Konstantinos Hadjisavvas
Oleg Artemenko (appointed 1 August 2014)
Phidias Pilides (appointed 8 September 2014)
Denis Soloviev (resigned 27 May 2014)
Alexander Lukanov (resigned 27 May 2014)

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 2014.

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 licence from CySEC to engage principally in brokerage activities and proprietary trading. The licence entitles the Company to operate both locally and outside Cyprus in accordance with the conditions of the licence.

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

3 The Company made a profit in 2014 of USD 55 713 thousand (2013: USD 42 545 thousand). On 31 December 2014 the total assets of the Company were USD 2 422 225 thousand (2013: USD 2 314 667 thousand) and the net assets were USD 566 355 thousand (2013: USD 497 076 thousand). 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 potentially 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 2014 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2014, except Mr Oleg Artemenko who was appointed as Director on 1 August 2014 and Mr Phidias Pilides who was appointed as Director on 8 September 2014 and Mr Alexander Lukanov and Mr Denis Soloviev resigned on 27 May 2014.

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 29 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, 30 April 2015

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 2014, 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.

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 2014, 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 additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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, so far as appears from our examination of these books.
- 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 Laws of 2009 and 2013 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, 30 April 2015

In thousands of US Dollars	Note	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	7	294 198	93 403
Trading securities	8	215 521	144 615
Repurchase receivables relating to trading securities	8	99 775	501 312
Due from banks	9	104 242	101 873
Loans and advances to customers	10	782 157	983 361
Investments available for sale	11	10 854	18 479
Investments held to maturity	11	8 486	-
Investments in companies within the Group	11	2 658	2 760
Derivative financial instruments	26	511 950	154 264
Other financial assets	12	388 061	313 155
Current income tax prepayment	20	4 116	864
Other assets		207	281
TOTAL ASSETS		**2 422 225**	**2 314 367**
LIABILITIES			
Due to banks	13	376 714	783 443
Funding from companies within the Group		-	60 371
Trading securities sold not yet purchased	14	747 031	64 639
Derivative financial instruments	26	248 324	77 779
Other financial liabilities	15	464 576	820 937
Provision for income tax liability	20	10 102	10 122
Deferred tax liability	20	9 123	-
TOTAL LIABILITIES		**1 855 870**	**1 817 291**
EQUITY			
Share capital	16	6 017	6 017
Share premium	16	173 997	173 997
Fair value reserve for investments available for sale		(7 492)	132
Retained earnings		393 833	316 930
TOTAL EQUITY		**566 355**	**497 076**
TOTAL LIABILITIES AND EQUITY		**2 422 225**	**2 314 367**

Approved for issue and signed on behalf of the Board of Directors on 30 April 2015.

Andriy Glavatskyy
Director

Konstantinos Hadjisavvas
Director

Refer to Note 28 for the information on related party transactions.

In thousands of US Dollars	Note	2014	2013
Interest income	17	61 301	22 403
Interest expense	17	(47 345)	(61 197)
Net interest income/(expense)		**13 956**	**(38 794)**
Fee and commission income	18	1 526	2 104
Fee and commission expense	18	(2 999)	(3 693)
Gains less losses from trading securities		32 332	51 054
Gains less losses from trading in precious metals		(89)	(1 770)
Gains less losses from trading in foreign currencies		256 160	6 685
Gains less losses from credit default swaps		320	13 561
Gains less losses from financial instrument at fair value through profit or loss	12	996	1 017
Foreign exchange translation gains less losses		(229 444)	24 802
Other operating income		-	442
Provision for investments held to maturity	11	(174)	-
Operating expenses	19	(7 692)	(7 288)
Profit before tax		**64 892**	**48 120**
Income tax expense	20	(9 179)	(5 575)
PROFIT FOR THE YEAR		**55 713**	**42 545**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available for sale investments:			
Fair value gains less losses for the year		(7 624)	132
Other comprehensive (loss)/income for the year		**(7 624)**	**132**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**48 089**	**42 677**

Refer to Note 28 for the information on related party transactions.

In thousands of US Dollars	Share capital	Share premium	Fair value reserve for invest-ments available for sale	Retained earnings	Total
Balance at 1 January 2013	**6 017**	**173 997**	**-**	**274 385**	**454 399**
Profit	-	-	-	42 545	42 545
Other comprehensive income	-	-	132	-	132
Total comprehensive income for 2013	-	-	132	42 545	42 677
Balance at 31 December 2013	**6 017**	**173 997**	**132**	**316 930**	**497 076**
Profit	-	-	-	55 713	55 713
Other comprehensive loss	-	-	(7 624)	-	(7 624)
Total comprehensive income for 2014	-	-	(7 624)	55 713	48 089
Contributions from shareholders (Note 15)	-	-	-	21 190	21 190
Balance at 31 December 2014	**6 017**	**173 997**	**(7 492)**	**393 833**	**566 355**

In thousands of US Dollars	Note	2014	2013
Cash flows from operating activities			
Interest received		61 189	19 439
Interest paid		(46 890)	(58 962)
Fee and commission income received		1 526	2 104
Fee and commission income paid		(2 889)	(3 649)
Net income/(loss) received from trading securities		93 422	(81 732)
Net income/(loss) received from trading in foreign currencies and precious metals		71 298	(2 211)
Net (loss)/income received from Credit Default Swaps		(2 012)	11 967
Other operating income received		-	238
Operating expenses paid		(7 252)	(6 890)
Income tax paid		(3 280)	-
Cash flows from/(used in) operating activities before changes in operating assets and liabilities		**165 112**	**(119 696)**
Changes in operating assets and liabilities			
Net change in trading securities and repurchase receivables relating to trading securities		263 665	97 003
Net change in due from banks		(13 443)	143 744
Net change in loans and advances to customers		(48 228)	(367 551)
Net change in other financial assets		(86 733)	186 413
Net change in due to banks		(369 794)	570 430
Net change in funding from companies within the Group		(60 371)	(555 942)
Net change in trading securities sold not yet purchased and other financial liabilities		367 193	33 158
Net cash from/(used in) operating activities		**217 401**	**(12 441)**
Cash flows from investing activities			
Acquisition of investments available for sale	11	-	(18 347)
Acquisition of investment securities held to maturity	11	(8 660)	
Acquisition of other assets		74	(371)
Dividends received		-	203
Net cash (used in) investing activities		**(8 586)**	**(18 515)**
Net increase/(decrease) in cash and cash equivalents		**208 815**	**(30 956)**
Cash and cash equivalents at the beginning of the year	7	93 403	123 237
Effect of exchange rate changes on cash and cash equivalents		(8 020)	1 122
Cash and cash equivalents at the end of the year	7	**294 198**	**93 403**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 for the year ended 31 December 2014 for Alfa Capital Holdings (Cyprus) Limited (the “Company”). The Company is a limited liability company incorporated on 23 April 1996 in the Republic of Cyprus, when it was assigned a registration number 78416, under the provision of the Cyprus Company Law, Cap. 113. The Company is owned by ABH Financial Limited and Joint Stock Company “Alfa-Bank” (AO “Alfa-Bank”), a subsidiary of ABH Financial Limited. ABH Financial Limited and its subsidiaries including AO “Alfa-Bank” form Alfa Banking Group (the "Group").

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

	2014	**2013**
ABH Financial Limited	80.1%	80.1%
AO “Alfa-Bank”	19.9%	19.9%
Total	100%	100%

ABH Financial Limited is a limited liability company registered in the Republic of Cyprus and is a subsidiary of ABH Holdings S.A., a Luxembourg company***.***

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 and outside Cyprus. In compliance with CySEC requirements aimed to improve market discipline the Company will publish the disclosures as described in the Directive DI144-2014-14 on the Company's website (www.alfacapital.com.cy).

Registered address and place of business. The Company is registered at 5, Themistocles Dervi, Elenion Building, 2nd floor, CY-1066, Nicosia, Cyprus. The place of business of the Company is at 15 Demetriou Karatasou, Anastasio Building, 5th floor, Strovolos, CY-2024, 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 Salisbury House, London Wall, London ECM2M 5QQ, 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.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 23). During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

2 Operating Environment of the Company (continued)

- the CBRF exchange rate changed from RR 32.7292 to RR 56.2584 per USD;
- the CBRF key rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 10.5% p.a. to 17.0% p.a. on 16 December 2014;
- the RTS stock exchange index decreased from 1 443 to 791;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- the CBRF exchange rate fluctuated between RR 49.6749 per USD and RR 69.6640 per USD;
- [Russia's credit rating was downgraded by Fitch Ratings to BBB-, whilst Standard & Poor's cut it to BB+ and Moody's Investors Service cut it to Ba1, putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible.
- the RTS stock exchange index fluctuated between 720 and 1068;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates; and
- the CBRF key rate decreased from 17.0% p.a. to 14.0% p.a.

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

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared 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 (Note 5).

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 investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. 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 IFRS 10 "Consolidated 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 Summary of Significant Accounting Policies (continued)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The quoted market price which management considers is the most representative of fair value was used to measure fair value.

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

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.

3 Summary of Significant Accounting Policies (continued)

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

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the 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.

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 gains less losses from trading securities. Dividends are included in gains less losses from trading securities when the Company's right to receive the dividend payment is established, and it is probable that the dividends will be collected. 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.

3 Summary of Significant Accounting Policies (continued)

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:

- 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 derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed.

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

3 Summary of Significant Accounting Policies (continued)

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

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

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

Investments available for sale. This classification includes investments which the Company intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices. The Company classifies investments as available for sale at the time of purchase.

Investments available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available for sale equity instruments are recognised in profit or loss for the year when the Company's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss - is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Contribution to Investor Compensation Fund. The contributions of Alfa Capital Holdings (Cyprus) Limited to the Investor Compensation Fund in accordance with the Establishment and Operation of an Investor Compensation Fund of Clients of Cyprus Investment Firms Regulations of 2004 – 2005 are recognised as an asset in the statement of financial position. Allocation of result to Alfa Capital Holdings (Cyprus) Limited by the Investor Compensation Fund is recognised in profit or loss.

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 and hedge accounting. Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are carried at their fair value.

3 Summary of Significant Accounting Policies (continued)

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. 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 financial instruments are included in profit or loss for the year in gains less losses arising from foreign currencies and precious metals and gains less losses arising from trading securities, depending on the related contracts. The Company does not apply hedge accounting.

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.

3 Summary of Significant Accounting Policies (continued)

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.

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 2014	31 December 2013
1 RR	0.0178	0.0306
1 EURO	1.2148	1.3740

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.

Changes in presentation. In line with prevailing market practices starting from 1 January 2014 interest income on trading securities is presented within gains less losses from trading securities. Also, significant balances previously included in other financial assets and liabilities are separately presented in the statement of financial position. The comparative information has been changed to make presentation consistent. The effect of reclassifications was as follows for year ended 31 December 2013:

In thousands of Russian Roubles	As originally presented	Reclassification	As reclassified
Statement of financial position			
Derivative financial instruments	-	154 264	154 264
Other financial assets	467 419	(154 264)	313 155
Trading securities sold not yet purchased	-	64 639	64 639
Derivative financial instruments	-	77 779	77 779
Other financial liabilities	963 355	(142 418)	820 937
Statement of profit or loss and other comprehensive income			
Interest income	74 587	(52 184)	22 403
Gains less losses from trading securities	(1 333)	52 387	51 054
Other operating income	645	(203)	442
Statement of cash flows			
Interest received	71 623	(52 184)	19 439
Net result received from trading securities	(134 119)	52 387	(81 732)
Other operating income received	441	(203)	238

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

Fair value of financial instruments. Refer to Note 27.

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 28.

Income taxes. Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Were the actual final tax outcome (on the judgement areas) differs from management's estimates, the deferred tax asset on tax losses may decrease by USD 10 589 thousand.

5 Adoption of New or Revised Standards and Interpretations

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

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amended standard did not have any material impact on the Company's financial statements.

5 Adoption of New or Revised Standards and Interpretations (continued)

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

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

Recoverable Amount Disclosures for Non-financial Assets - Amendments to IAS 36 (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have any material impact on the Company's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39 (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have any material impact on the Company's 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 2015 or later, and which the Company has not early adopted.

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

6 New Accounting Pronouncements (continued)

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a “three stage” approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company is currently assessing the impact of the existing version of IFRS 9 on its financial statements.

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Company does not expect the amendments to have any material effect on its financial statements.

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

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

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

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

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

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

6 New Accounting Pronouncements (continued)

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

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

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

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

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

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

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

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

IFRS 14 - Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016)*. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The Company does not expect the standard to have any effect on its financial statements.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016)*. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Company does not expect the amendments to have any effect on its financial statements.

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

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

6 New Accounting Pronouncements (continued)

The Company does not expect the amendments to have material effect on its financial statements.

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

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016)*. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company does not expect the amendments to have any effect on its financial statements.

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

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016)*. The amendments impact four standards.

IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such.

The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.

IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

The Company does not expect the amendments to have material effect on its financial statements.

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

6 New Accounting Pronouncements (continued)

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

*Denotes standards, interpretations and amendments which have not yet been endorsed 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	**2014**	**2013**
Cash balances with Russian banks	23 133	19 726
Cash balances with non-Russian banks	271 065	73 677
Total cash and cash equivalents	**294 198**	**93 403**

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

In thousands of US Dollars	**2014**	**2013**
Neither past due nor impaired		
Standard and Poor's		
- A- to AAA rated	259 042	73 016
- B- to BBB rated	23 133	19 726
- lower than BBB rated	-	381
Moody's		
- Ba to Ca rated	11 744	226
Other	279	54
Total cash and cash equivalents	**294 198**	**93 403**

Cash and cash equivalents are carried at amortised cost which approximates current fair value. Geographical, currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 21. Information on related party balances is disclosed in Note 28.

8 Trading Securities and Repurchase Receivables

In thousands of US Dollars	2014	2013
Trading securities		
Corporate Eurobonds	190 353	101 373
Corporate bonds	-	1 278
Eurobonds of other states	-	473
Total debt trading securities	**190 353**	**103 124**
ADRs and GDRs	9 060	22 629
Corporate shares	16 108	18 862
Total equity trading securities	**25 168**	**41 491**
Total trading securities	**215 521**	**144 615**
Repurchase receivables		
Corporate Eurobonds	99 104	492 266
Russian Federation Eurobonds	671	-
Eurobonds of other states	-	4 451
Total repurchase receivables relating to debt trading securities	**99 775**	**496 717**
Corporate shares	-	4 595
Total repurchase receivables relating to equity trading securities	**-**	**4 595**
Total repurchase receivables relating to trading securities	**99 775**	**501 312**
Total trading securities and repurchase receivables	**315 296**	**645 927**

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.

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 2014 these bonds have maturity dates ranging from February 2015 to April 2044 (2013: January 2014 to April 2044), coupon rates ranging from 1.21% to 14.00% p.a. (2013: from 4.56% to 12.75% p.a.) and yields to maturity from 5.92% to 88.00% p.a. (2013: from 1.32% to 30.22% p.a.).

Information on transferred or pledged trading securities and repurchase receivables is disclosed in Note 23.

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 2014 and 2013 was as follows:

In thousands of US Dollars	**2014**	**2013**
Trading securities		
Neither past due (at fair value)		
Standard and Poor's		
- B- to BBB rated	101 868	19 835
Moody's		
- A3 to Aaa rated	-	336
- B3 to Baa1 rated	28 995	2 954
- Caa1 and lower rated	370	5
Counterparties without external credit rating	59 120	79 994
Total debt trading securities	**190 353**	**103 124**
Repurchase receivables		
Neither past due (at fair value)		
Standard and Poor's		
- B- to BBB- rated	11 043	191 813
Moody's		
- B1 to Baa1 rated	66 780	255 148
- Caa1 and lower rated	-	37 342
Counterparties without external credit rating	21 952	12 414
Total repurchase receivables relating to debt trading securities	**99 775**	**496 717**

Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. Information on trading securities issued by related parties is disclosed in Note 28.

9 Due from Banks

In thousands of US Dollars	2014	2013
Margin deposits	85 857	33 995
Reverse sale and repurchase agreements	18 385	67 878
Total due from other banks	**104 242**	**101 873**

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

At 31 December 2014 reverse sale and repurchase agreements with other banks were effectively collateralised by securities purchased under reverse sale and repurchase agreements with a fair value of USD 18 816 thousand (2013: USD 68 041 thousand).

Analysis by credit quality of due from other banks at 31 December 2014 was 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	85 724	4 047	89 771
- B- to BBB rated	20	2 757	2 777
- lower than BBB rated	12	-	12
- Unrated	101	11 581	11 682
Total due from banks	**85 857**	**18 385**	**104 242**

Analysis by credit quality of due from other banks at 31 December 2013 was 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	33 980	64 002	97 982
- B- to BBB rated	1	2 892	2 893
- Unrated	14	984	998
Total due from banks	**33 995**	**67 878**	**101 873**

Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. The estimated fair value of due from other banks is disclosed in Note 27. Information on amount due from related parties is disclosed in Note 28.

10 Loans and Advances to Customers

In thousands of US Dollars	2014	2013
Reverse sale and repurchase agreements	761 766	977 952
Other loans and advances to customers	20 391	5 409
Total loans and advances to customers	**782 157**	**983 361**

At 31 December 2014 aggregate reverse sale and repurchase agreements with two largest counterparties amounted to USD 685 763 thousands or 90% of reverse sale and repurchase agreements with customers (2013: four largest counterparties amounted to USD 892 326 thousands or 91% of reverse sale and repurchase agreements).

At 31 December 2014 reverse sale and repurchase agreements with customers were effectively collateralised by securities purchased under reverse sale and repurchase agreements with a fair value of USD 1 149 016 thousand (2013: USD 1 679 157 thousand).

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 at 31 December 2014 and 31 December 2013 was as follows:

In thousands of US Dollars	2014	2013
Neither past due nor impaired		
Standard and Poor's		
- A- to AAA rated	26 578	57 398
- B- to BBB rated	389 294	1 334
Counterparties without external credit rating		
- Group 1	608	10 497
- Group 2	365 677	914 132
Total loans and advances to customers	**782 157**	**983 361**

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.

Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. The estimated fair value of loans and advances to customers is disclosed in Note 27. Information on related parties is disclosed in Note 28.

11 Investments

In millions of US Dollars	2014	2013
Investments		
Investments available for sale	10 854	18 479
Investments held to maturity	8 660	-
Investments in companies within the Group at cost	27 966	28 068
Provision for impairment of investments held to maturity	(174)	-
Provision for impairment of investments in companies within the Group	(25 308)	(25 308)
Total investments	**21 998**	**21 239**

Investments available for sale are primary represented by participating share in investment funds domiciled in Russia.

Investments held to maturity are represented by Corporate Eurobonds denominated in US Dollars issued by large Russian companies and freely tradable internationally. As at 31 December 2014 these securities have maturity date in May 2020, coupon rates 7.00% and yields to maturity 26.40%.

Movements in the provision for impairment of investment securities held to maturity during 2014 were as follows:

In millions of US Dollars	Corporate Eurobonds	Total
Provision for impairment as at 1 January 2014	**-**	**-**
Provision for impairment during the year	174	**174**
Provision for impairment as at 31 December 2014	**174**	**174**

Investments in companies within the Group are represented by investments in Alfa-Bank (Russian Federation, 0.1136%) (Note 1) in the amount of USD 27 964 thousand (2013: USD 27 964 thousand) and other investees in the amount of USD 2 thousand (2013: USD 104 thousand).

In 2014 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 investees.

12 Other Financial Assets

In thousands of US Dollars	2014	2013
Claims acquired	196 341	119 882
Financial instruments at fair value through profit or loss	96 902	101 017
Receivables on operations with securities and foreign currencies	90 420	90 076
Other	4 398	2 180
Total other financial assets	**388 061**	**313 155**

Claims acquired represent balances receivable from large Russian companies with maturity dates in 2017 and carried at amortized cost. Financial instruments at fair value through profit and loss represent a balance receivable from a large Russian company with a maturity date in 2018.

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.

12 Other Financial Assets (Continued)

The credit quality of other financial assets at 31 December 2014 was as follows:

In thousands of US Dollars	**Claims acquired**	**Financial instruments at fair value through profit or loss**	**Receivables on operations with securities and foreign currencies**	**Other**	**Total**
Neither past due nor impaired					
Standard and Poor's					
- A to AAA rated	-	-	-	2 007	2 007
- B- to BBB rated	105 432	-	75 273	1 456	182 161
Counterparties without external credit rating					
- Group 1	90 909	-	-	-	90 909
- Group 2	-	96 902	15 147	935	112 984
Total other financial assets	**196 341**	**96 902**	**90 420**	**4 398**	**388 061**

The credit quality of other financial assets at 31 December 2013 was as follows:

In thousands of US Dollars	**Claims acquired**	**Financial instruments at fair value through profit or loss**	**Receivables on operations with securities and foreign currencies**	**Other**	**Total**
Neither past due nor impaired					
Standard and Poor's					
- A to AAA rated	-	-	6 497	1	6 498
- B- to BBB rated	119 882	101 017	5 099	-	225 998
Counterparties without external credit rating					
- Group 1	-	-	-	-	-
- Group 2	-	-	78 480	2 179	80 659
Total other financial assets	**119 882**	**101 017**	**90 076**	**2 180**	**313 155**

Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. The estimated fair value of other financial assets is disclosed in Note 27. Information on related parties is disclosed in Note 28.

13 Due to Banks

In thousands of US Dollars	2014	2013
Sale and repurchase agreements	249 392	698 865
Margin deposits	127 322	84 578
Total due to banks	**376 714**	**783 443**

At 31 December 2014 sale and repurchase receivables were effectively secured by trading securities in the amount of USD 99 775 thousand (2013: USD 501 312 thousand) (Note 8) and trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 156 835 thousand (2013: USD 591 500 thousand).

Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. The estimated fair value of due to banks is disclosed in Note 27. Information on related parties is disclosed in Note 28.

14 Trading Securities Sold not yet Purchased

In thousands of US Dollars	2014	2013
Corporate shares	343 060	1 149
Corporate Eurobonds	335 139	22 282
ADRs and GDRs	37 434	10 266
Russian Federation Eurobonds	31 398	26 651
Eurobonds of other states	-	4 291
Total trading securities sold not yet purchased	**747 031**	**64 639**

Geographical, currency, maturity and interest rate analyses are disclosed in Note 21.

15 Other Financial Liabilities

In thousands of US Dollars	2014	2013
Margin deposits	438 173	360 888
Payables on operations with securities and foreign currencies	19 060	28 826
Sale and repurchase agreements	6 569	408 887
Dividends payable	-	21 190
Other	774	1 146
Total other financial liabilities	**464 576**	**820 937**

At 31 December 2014 reverse sale and repurchase agreements with customers were effectively collateralised by securities purchased under reverse sale and repurchase agreements with a fair value of USD 8 543 thousand (2013: USD 711 454 thousand).

15 Other Financial Liabilities (continued)

On the basis of regulation 122 of the articles of association of the Company (as amended on 31 January 2014), all dividends unclaimed for three years after having been declared, shall be deemed automatically forfeited for the benefit of the Company. In January 2014 the Company derecognised and credited directly to equity its liability to shareholders for the dividends declared in 2009 and 2010 as these dividends were unclaimed for a period of three years from the date of declaration.

Geographical, currency, maturity and interest rate analyses are disclosed in Note 21. The estimated fair value of other financial liabilities is disclosed in Note 27. Information on related parties is disclosed in Note 28.

16 Share Capital

In thousands of US Dollars except for number of shares	**Number of outstanding shares**	**Share capital**	**Share premium**	**Total**
At 1 January 2013, 31 December 2013 and 2014	**3 000 000**	**6 017**	**173 997**	**180 014**

At 1 January, 31 December 2013 and 2014 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.

17 Interest Income and Expense

In thousands of US Dollars	**2014**	**2013**
Interest income		
Loans and advances to customers	52 445	19 686
Due from banks	1 443	454
Debt securities held to maturity	508	-
Other financial assets	6 905	2 263
Total interest income	**61 301**	**22 403**
Interest expense		
Due to banks	13 855	16 711
Funding from companies within the Group	11 637	37 270
Margin deposits	12 306	7 205
Other financial liabilities	9 547	11
Total interest expense	**47 345**	**61 197**
Net interest income/(expense)	**13 956**	**(38 794)**

Information on transactions with related parties is disclosed in Note 28.

18 Fee and Commission Income and Expense

In thousands of US Dollars	2014	2013
Fee and commission income		
Transactions with securities	1 181	1 948
Consulting services	95	156
Other	250	-
Total fee and commission income	**1 526**	**2 104**
Fee and commission expense		
Transactions with securities	2 408	3 034
Cash and foreign currency exchange transactions	544	657
Other	47	2
Total fee and commission expense	**2 999**	**3 693**
Net fee and commission expense	**(1 473)**	**(1 589)**

Information on transactions with related parties is disclosed in Note 28.

19 Operating Expenses

In thousands of US Dollars	2014	2013
Staff costs	3 499	2 803
Consulting and professional services	2 769	3 165
Communications	367	309
Rent, heat and utilities	252	173
Depreciation and amortization	73	171
Other	732	667
Total administrative and other operating expenses	**7 692**	**7 288**

Information on transactions with related parties is disclosed in Note 28.

Consulting and professional services expenses stated above include audit fees of USD 13 thousand (2013: USD13 thousand), fees of USD 203 thousand (2013: USD282 thousand) for tax consultancy services and USD 165 thousand (2013: USD143 thousand) for other services charged by the Company's statutory audit firm.

20 Income Taxes

In thousands of US Dollars	2014	2013
Current tax		
Corporation tax	56	5 575
Deferred tax		
Origination and reversal of temporary differences	9 123	-
Income tax charge for the year	**9 179**	**5 575**

20 Income Taxes (continued)

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	2014	2013
Accounting profit before tax	**64 892**	**48 120**
Theoretical tax charge at the applicable rate 12.5%	8 112	6 015
Tax effect of expenses not deductible for tax purposes	5 062	1 236
Tax effect of allowances and income not subject to tax	(4 051)	(2 378)
Additional taxes	56	702
Income tax charge	**9 179**	**5 575**

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

As from tax year 2012 brought forward losses of only five years may be utilised.

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, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 20% as from 1 January 2012; reduced to 17% as from 1 January 2014. 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.

20 Income Taxes (continued)

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

In thousands of US Dollars	2014	2013
Deferred tax asset		
Deferred tax asset to be recovered after more than twelve months	14 907	-
Deferred tax asset to be recovered within twelve months	8	-
	14 915	-
Deferred income tax liabilities		
Deferred tax liabilities to be recovered after more than twelve months	24 038	-
Deferred tax liabilities to be recovered within twelve months	-	-
	24 038	-
Deferred income tax liabilities net	**9 123**	-

The gross movement on the deferred income tax account is as follows:

In thousands of US Dollars	2014	2013
At beginning of year	-	-
Charge included in profit or loss	9 123	-
At end of year	**9 123**	-

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Unrealised fair value gains	Total
At 31 December 2013/1 January 2014	-	-
Charged/(credited) to:		
Profit or loss	24 038	24 038
At 31 December 2014	**24 038**	**24 038**

Deferred tax assets

	Unrealised fair value loss	Tax losses	Total
At 31 December 2013/1 January 2014	-	-	-
Charged/(credited) to:			
Profit or loss	440	14 475	14 915
At 31 December 2014	**440**	**14 475**	**14 915**

20 Income Taxes (continued)

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

21 Financial Risk Management

The risk management function within the Company is based on the policy adopted by the Group 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 minimise operational and legal risks. The primary objective of the Company'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 limits on the level of credit risk by product, borrower and industry sectors are regularly approved.

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

Exposure to credit risk is managed 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. Potentially problematic deals are identified 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, as well as situations where limits utilization is close to maximum. There are procedures in place to ensure that the impact of new transactions on the concentration within the portfolio is commensurate with the 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 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 minimise potential adverse effects on the Company's financial performance.

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 2014:

In thousands of US Dollars	USD	RUR	Other currencies	Non-monetary	Total
Assets					
Cash and cash equivalents	209 174	65 811	19 213	-	294 198
Trading securities	185 355	3 054	1 944	25 168	215 521
Repurchase receivables relating to trading securities	96 337	-	3 438	-	99 775
Due from banks	90 818	8 499	4 925	-	104 242
Loans and advances to customers	470 485	292 813	18 859	-	782 157
Investments available for sale	-	-	-	10 854	10 854
Investments held to maturity	8 486	-	-	-	8 486
Investments in companies within the Group	-	-	-	2 658	2 658
Derivative financial instruments	504 220	5 426	2 304	-	511 950
Other financial assets	274 675	4 908	106 471	2 007	388 061
Current income tax prepayment	227	-	3 889	-	4 116
Other assets	-	-	-	207	207
Total assets	**1 839 777**	**380 511**	**161 043**	**40 894**	**2 422 225**
Liabilities					
Due to banks	297 673	3 287	75 754	-	376 714
Trading securities sold not yet purchased	323 571	34 255	8 711	380 494	747 031
Derivative financial instruments	220 919	24 545	2 860	-	248 324
Other financial liabilities	409 096	43 495	11 985	-	464 576
Provision for income tax liability	-	-	-	10 102	10 102
Deferred tax liability	-	-	-	9 123	9 123
Total liabilities	**1 251 259**	**105 582**	**99 310**	**399 719**	**1 855 870**
Net balance sheet position	**588 518**	**274 929**	**61 733**	**(358 825)**	**566 355**
Net balance sheet position less fair value of foreign currency exchange derivatives	**396 675**	**275 324**	**60 892**	**(358 825)**	**374 066**
Derivatives (Note 26)	**787 571**	**(606 266)**	**10 984**	**-**	**192 289**
Net balance sheet and derivatives position at 31 December 2014	**1 184 246**	**(330 942)**	**71 876**	**(358 825)**	**566 355**

21 Financial Risk Management (continued)

The table below summaries the Company's exposure to foreign currency exchange rate risk at 31 December 2013:

In thousands of US Dollars	USD	RUR	Other currencies	Non-monetary	Total
Assets					
Cash and cash equivalents	78 540	2 464	12 399	-	93 403
Trading securities	98 061	1 400	3 663	41 491	144 615
Repurchase receivables relating to trading securities	407 691	85 862	3 164	4 595	501 312
Due from banks	61 770	33 439	6 664	-	101 873
Loans and advances to customers	508 229	471 388	3 744	-	983 361
Investments available for sale	-	-	-	18 479	18 479
Investments in companies within the Group	-	-	-	2 760	2 760
Derivative financial instruments	145 278	8 336	650	-	154 264
Other financial assets	191 465	307	120 480	903	313 155
Current income tax prepayment	237	-	627	-	864
Other assets	-	-	-	281	281
Total assets	**1 491 271**	**603 196**	**151 391**	**68 509**	**2 314 367**
Liabilities					
Due to banks	490 115	207 648	85 680	-	783 443
Funding from companies within the Group	60 371	-	-	-	60 371
Trading securities sold not yet purchased	39 281	21 067	4 291	-	64 639
Derivative financial instruments	73 493	3 690	596	-	77 779
Other financial liabilities	421 482	394 238	5 217	-	820 937
Provision for income tax liability	-	-	-	10 122	10 122
Total liabilities	**1 084 742**	**626 643**	**95 784**	**10 122**	**1 817 291**
Net balance sheet position	**406 529**	**(23 447)**	**55 607**	**58 387**	**497 076**
Net balance sheet position less fair value of foreign currency exchange derivatives	**399 341**	**(23 447)**	**55 333**	**58 387**	**489 614**
Derivatives (Note 26)	**333 147**	**(329 215)**	**3 530**	**-**	**7 462**
Net balance sheet and derivatives position at 31 December 2013	**732 488**	**(352 662)**	**58 863**	**58 387**	**497 076**

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 26. The net total represents the fair value of the currency derivatives. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

21 Financial Risk Management (continued)

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 Company, with all other variables held constant:

	2014	
In thousands of US Dollars	**Impact on profit or loss**	**Impact on equity**
Russian Rouble strengthening by 30%	(99 283)	(99 283)
Russian Rouble weakening by 30%	99 283	99 283
Other currencies strengthening by 30%	21 563	21 563
Other currencies weakening by 30%	(21 563)	(21 563)

	2013	
In thousands of US Dollars	**Impact on profit or loss**	**Impact on equity**
Russian Rouble strengthening by 20%	(70 532)	(70 532)
Russian Rouble weakening by 20%	70 532	70 532
Other currencies strengthening by 20%	11 773	12 152
Other currencies weakening by 20%	(11 773)	(12 152)

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-monetary**	**Total**
31 December 2014						
Total financial assets	1 091 262	64 362	893 464	330 134	38 680	2 417 902
Total financial liabilities	631 198	65 613	614 492	144 848	380 494	1 836 645
Net interest sensitivity gap at 31 December 2014	**460 064**	**(1 251)**	**278 972**	**185 286**	**(341 814)**	**581 257**
31 December 2013						
Total financial assets	992 540	102 245	807 945	347 762	62 730	2 313 222
Total financial liabilities	1 054 479	80 971	545 869	125 850	-	1 807 169
Net interest sensitivity gap at 31 December 2013	**(61 939)**	**21 274**	**262 076**	**221 912**	**62 730**	**506 053**

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

At 31 December 2014, if interest rates at that date had been 300 basis points lower/higher (2013: 100 basis points lower/higher) with all other variables held constant, profit for the year would have been USD 6 836 thousand lower/higher (2013: USD 680 thousand lower/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 management. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	2014			2013		
In % p.a.	**USD**	**RUR**	**Other**	**USD**	**RUR**	**Other**
Assets						
Cash and cash equivalents	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trading securities	7.23%	8.89%	6.37%	7.81%	8.30%	11.75%
Repurchase receivables	9.58%	-	4.0%	8.19%	8.24%	6.76%
Due from banks						
-margin deposits	0.13%	-	0.01%	0.03%	0.00%	0.02%
-reverse sale and repurchase agreements with banks	(0.81)%	0.39%	-	(0.23)%	6.17%	(0.18)%
Loans and advances to customers						
-reverse sale and repurchase agreements with customers	4.84%	18.92%	-	2.75%	6.31%	-
-other loans and advances to customers	0.13%	0.00%	0.14%	0.17%	0.00%	0.02%
Investments held to maturity	7.00%	-	-	-	-	-
Other financial assets:						
- claims acquired	6.15%	-	3.93%	-	-	3.81%
- financial instruments at fair value through profit or loss	5.08%	-	-	5.09%	-	-
Liabilities						
Due to banks						
- sale and repurchase agreements with banks	1.17%	0.00%	1.12%	0.74%	6.32%	1.00%
-margin deposits	2.07%	-	1.42%	0.08%	-	0.22%
Other financial liabilities						
- sale and repurchase agreements	1.00%	-	-	1.75%	6.45%	-
- margin deposits	5.86%	11.10%	2.62%	2.00%	6.97%	2.08%
Funding from companies within the Group	-	-	-	4.92%	-	-

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 2014 and 2013 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 2014 is set out below:

21 Financial Risk Management (continued)

In thousands of US Dollars	Russia	Europe	Other	Total
Financial assets				
Cash and cash equivalents	23 133	271 065	-	294 198
Trading securities	199 116	6 436	9 969	215 521
Repurchase receivables relating to trading securities	99 775	-	-	99 775
Due from banks	8 499	70 703	25 040	104 242
Loans and advances to customers	389 296	71 873	320 988	782 157
Investments available for sale	10 854	-	-	10 854
Investments held to maturity	8 486	-	-	8 486
Investments in companies within the Group	2 658	-	-	2 658
Derivative financial instruments	485 721	25 909	320	511 950
Other financial assets	373 979	10 009	4 073	388 061
Current income tax prepayment	-	-	4 116	4 116
Other assets	-	207	-	207
Total assets	**1 601 517**	**456 202**	**364 506**	**2 422 225**
Financial liabilities				
Due to banks	230 774	75 321	70 619	376 714
Trading securities sold not yet purchased	747 031	-	-	747 031
Derivative financial instruments	138 228	109 985	111	248 324
Other financial liabilities	368 290	41 764	54 522	464 576
Provision for income tax liability	-	10 102	-	10 102
Deferred tax liability	-	9 123	-	9 123
Total liabilities	**1 484 323**	**246 295**	**125 252**	**1 855 870**
Net position in on-balance sheet financial instruments	**117 194**	**209 907**	**239 254**	**566 355**

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 2013 is set out below:

In thousands of US Dollars	Russia	Europe	Other	Total
Financial assets				
Cash and cash equivalents	19 726	73 677	-	93 403
Trading securities	97 052	42 942	4 621	144 615
Repurchase receivables relating to trading securities	445 286	24 357	31 669	501 312
Due from banks	3 070	98 803	-	101 873
Loans and advances to customers	474 533	187 238	321 590	983 361
Investments available for sale	18 479	-	-	18 479
Investments in companies within the Group	2 759	-	1	2 760
Derivative financial instruments	131 898	18 923	3 443	154 264
Other financial assets	292 406	16 940	3 809	313 155
Current income tax prepayment	-	864	-	864
Other assets	-	281	-	281
Total assets	**1 485 209**	**464 025**	**365 133**	**2 314 367**
Financial liabilities				
Due to banks	352 645	351 097	79 701	783 443
Funding from companies within the Group	60 371	-	-	60 371
Trading securities sold not yet purchased	64 639	-	-	64 639
Derivative financial instruments	13 674	41 668	22 437	77 779
Other financial liabilities	445 501	38 299	337 137	820 937
Provision for income tax liability	-	10 122	-	10 122
Total liabilities	**936 830**	**441 186**	**439 275**	**1 817 291**
Net position in on-balance sheet financial instruments	**548 379**	**22 839**	**(74 142)**	**497 076**

21 Financial Risk Management (continued)

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.

The undiscounted maturity analysis of financial liabilities at 31 December 2014 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	8 367	6 081	244 008	127 398	385 854
Other non-derivative financial liabilities	556 176	2 564	662 970	-	1 221 710
Gross settled derivatives					
- inflow	(803 913)	(81 348)	(260 414)	(694 378)	(1 840 053)
- outflow	733 969	107 181	239 538	694 178	1 774 866
Net settled derivatives	703	-	-	-	703
Total potential future payments for financial obligations	**495 302**	**34 478**	**886 102**	**127 198**	**1 543 080**

The undiscounted maturity analysis of financial liabilities at 31 December 2013 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	148 092	64 379	498 886	79 701	791 058
Funding from companies within the Group	371	10 001	50 020	-	60 392
Other non-derivative financial liabilities	885 416	160	-	-	885 576
Gross settled derivatives					
- inflow	(1 241 230)	(167 520)	(9 367)	(507 339)	(1 925 456)
- outflow	1 255 114	167 317	9 355	414 680	1 846 466
Net settled derivatives	460	-	-	-	460
Total potential future payments for financial obligations	**1 048 223**	**74 337**	**548 894**	**(12 958)**	**1 658 496**

21 Financial Risk Management (continued)

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

The Company does not use the above undiscounted maturity to manage liquidity. Instead, the Company monitors expected maturity. The table represents analysis of assets and liabilities as at 31 December 2014 by their expected maturities. This analysis was prepared on the basis of contractual maturities except for adjustments in relation to trading securities. The entire portfolio of trading securities was classified within "demand and less than 1 month" based on the Management's assessment of the portfolio's realisability.

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	294 198	-	-	-	-	294 198
Trading securities	215 521	-	-	-	-	215 521
Repurchase receivables	5 743	4 474	89 558	-	-	99 775
Due from banks	100 196	285	3 761	-	-	104 242
Loans and advances to customers	80 406	22 003	679 748	-	-	782 157
Investments available for sale	-	-	-	-	10 854	10 854
Investments held to maturity	-	-	-	8 486	-	8 486
Investments in companies within the Group	-	-	-	-	2 658	2 658
Derivative financial instruments	325 548	36 991	120 397	29 014	-	511 950
Other financial assets	94 818	609	-	292 634	-	388 061
Current income tax prepayment	4 116	-	-	-	-	4 116
Other assets	-	-	-	-	207	207
Total assets	**1 120 546**	**64 362**	**893 464**	**330 134**	**13 719**	**2 422 225**
Liabilities						
Due to banks	8 361	6 061	241 542	120 750	-	376 714
Trading securities sold not yet purchased	81 497	2 564	662 970	-	-	747 031
Derivative financial instruments	76 764	56 988	90 474	24 098	-	248 324
Other financial liabilities	464 576	-	-	-	-	464 576
Provision for income tax liability	10 102	-	-	-	-	10 102
Deferred tax liability	9 123	-	-	-	-	9 123
Total liabilities	**650 423**	**65 613**	**994 986**	**144 848**	**-**	**1 855 870**
Net expected liquidity gap at 31 December 2014	**470 123**	**(1 251)**	**(101 522)**	**185 286**	**13 719**	**566 355**
Cumulative expected liquidity gap as at 31 December 2014	**470 123**	**468 872**	**367 350**	**552 636**	**566 355**	

21 Financial Risk Management (continued)

The maturity analysis of financial instruments at 31 December 2013 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	No stated maturity	Total
Assets						
Cash and cash equivalents	93 403	-	-	-	-	93 403
Trading securities	144 615	-	-	-	-	144 615
Repurchase receivables relating to trading securities	10 047	83 316	407 949	-	-	501 312
Due from banks	78 682	-	23 191	-	-	101 873
Loans and advances to customers	598 971	11 351	373 039	-	-	983 361
Investments available for sale	-	-	-	-	18 479	18 479
Investments in companies within the Group	-	-	-	-	2 760	2 760
Derivative financial instruments	16 167	6 833	3 766	127 498	-	154 264
Other financial assets	92 146	745	-	220 264	-	313 155
Income tax prepayment	864	-	-	-	-	864
Other assets	-	-	-	-	281	281
Total assets	**1 034 895**	**102 245**	**807 945**	**347 762**	**21 520**	**2 314 367**
Liabilities						
Due to banks	147 407	64 220	492 115	79 701	-	783 443
Funding from companies within the Group	-	10 371	50 000	-	-	60 371
Trading securities sold not yet purchased	64 639	-	-	-	-	64 639
Derivative financial instruments	21 656	6 220	3 754	46 149	-	77 779
Other financial liabilities	820 777	160	-	-	-	820 937
Provision for income tax liability	10 122	-	-	-	-	10 122
Total liabilities	**1 064 601**	**80 971**	**545 869**	**125 850**	**-**	**1 817 291**
Net expected liquidity gap at 31 December 2013	**(29 706)**	**21 274**	**262 076**	**221 912**	**21 520**	**497 076**
Cumulative expected liquidity gap as at 31 December 2013	**(29 706)**	**(8 432)**	**253 644**	**475 556**	**497 076**	

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.

22 Management of Capital (continued)

On 19 December 2014, CySEC issued the Directive DI144-2014-14 to the Cypriot Investment Firms, replacing its previous Directives DI144-2007-05 and DI144-2007-06 for the capital requirements of Investment Firms.

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.

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 2014 and 2013.

23 Contingencies and Commitments

Legal, regulatory and tax environment. The cross-border 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.

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 its operations; however, the risk remains that the relevant authorities could take differing positions with regard to interpretative issues and the effect could be significant.

Russian tax laws related to taxation of foreign companies is subject to varying interpretations. It is possible that with the evolution of the interpretations 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.

To the best of Management's knowledge, no material breaches of law have occurred. Thus, the Company has not recorded any provision for potential impact of any such breaches at 31 December 2014 and 2013.

Legal Proceedings. At 31 December 2014 and 2013 the Company was not engaged in any material litigation proceedings.

Assets pledged and restricted. As at 31 December 2014 balances payable under sale and repurchase agreements were effectively secured by trading securities in the amount of USD 99 775 thousand (2013: USD 501 312 thousand) (Note 8) and trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 165 378 thousand (2013: USD 1 302 954 thousand) (Notes 13 and 14).

In addition, as at 31 December 2014 margin deposits in the amount of USD 85 857 thousand were placed with banks as collateral for transactions with derivatives (2013: USD 34 366 thousand). Refer to Note 8.

Trading securities sold not yet purchased. As disclosed in Note 15 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 Company transferred financial assets in transactions that did not qualify for derecognition in the current and prior periods:

Sale and repurchase transactions. At 31 December 2014 the Company had trading securities in the amount of USD 99 775 thousand (2013: USD 501 312 thousand) that are subject to obligation to repurchase the securities for a fixed pre-determined price. As at 31 December 2014 the carrying value of the liabilities associated with these sale and repurchase transactions was USD 147 157 thousand (2013: USD 352 968 thousand). The estimated fair value of associated liabilities is approximately equal to their carrying value.

25 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements include (1) amounts receivable and payable on operations with securities and foreign currency, (2) amounts receivable under reverse repurchase agreements effectively collateralised by margin deposits attracted and securities which are not recognized in the statement of financial position, (3) amounts payable under repurchase agreements which are collateralised by margin deposits placed and repurchase receivables relating to trading securities, and (4) derivative financial instruments which are collateralised by margin deposits.

25 Offsetting Financial Assets and Financial Liabilities (continued)

The table below summarises assets and liabilities subject to offsetting as at 31 December 2014:

In thousands of Russian Roubles	**Gross amounts before offsetting in the statement of financial position**	**Gross amounts set off in the statement of financial position**	**Net amount after offsetting in the statement of financial position**	**Amounts subject to master netting and similar arrangements not set off in the statement of financial position**		**Net amount of exposure**
				Financial instru-ments	**Cash collateral**	
	(a)	**(b)**	**(c) = (a) - (b)**	**(d)**	**(e)**	**(c) - (d) - (e)**
ASSETS						
Due from banks						
- Reverse sale and repurchase agreements	18 385	-	18 385	18 385	-	-
Loans and advances to customers						
- Reverse sale and repurchase agreements	773 294	11 528	761 766	761 766	-	-
Derivative financial instruments						
- Positive fair value of derivatives	134 288	-	134 288	50 507	83 781	-
Other financial assets						
- Financial instruments at fair value through profit or loss	96 902	-	96 902	-	21 930	74 972
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**1 022 869**	**11 528**	**1 011 341**	**830 658**	**105 711**	**74 972**
LIABILITIES						
Due to banks						
- Sale and repurchase agreements	249 392	-	249 392	99 775	-	149 617
- Margin deposits	70 984	-	70 984	52 621	18 363	-
Derivative financial instruments						
- Negative fair value of derivatives	122 621	-	122 621	50 507	60 444	11 670
Other financial liabilities						
- Margin deposits	11 528	11 528	-	-	-	-
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**454 525**	**11 528**	**442 997**	**202 903**	**78 807**	**161 287**

25 Offsetting Financial Assets and Financial Liabilities (continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows as at 31 December 2013:

In thousands of Russian Roubles	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instru-ments (d)	Cash collateral (e)	Net amount of exposure (c) - (d) - (e)
ASSETS						
Due from banks						
- Reverse sale and repurchase agreements	67 878	-	67 878	67 878	-	-
Loans and advances to customers						
- Reverse sale and repurchase agreements	990 779	12 827	977 952	977 952	-	-
Derivative financial instruments						
- Positive fair value of derivatives	45 219	-	45 219	19 815	1 271	24 133
Other financial assets						
- Receivables on operations with securities and foreign currencies	19 917	19 917	-	-	-	-
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**1 123 793**	**32 744**	**1 091 049**	**1 065 645**	**1 271**	**24 133**
LIABILITIES						
Due to banks						
- Sale and repurchase agreements	698 865	-	698 865	501 312	-	197 553
Derivative financial instruments						
- Negative fair value of derivatives	38 470	-	38 470	19 815	18 655	-
Other financial liabilities						
- Margin deposits	12 827	12 827	-	-	-	-
- Payables on operations with securities and foreign currencies	19 917	19 917	-	-	-	-
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**770 079**	**32 744**	**737 335**	**521 127**	**18 655**	**197 553**

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

26 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 instruments 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.

	2014			**2013**		
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	668 103	123 355	(3 602)	1 001 250	9 206	(20 641)
- purchase of securities	1 091 110	3 888	(87 618)	35 348	290	(389)
Non-deliverable forwards						
Securities						
- sale of securities	-	-	-	34 857	76	(460)
Precious metals						
- sale of precious metals	64 623	407	-	35 642	86	-
- purchase of precious metals	64 636	-	(408)	35 687	-	(41)
Call options						
Commodities						
- written call options	106 485	-	(2 282)	148 928	-	(12 723)
- purchased call options	106 395	2 282	-	148 928	12 723	-
Securities						
- written call options	29 986	-	(1 626)	33 525	-	(3 796)
- purchased call options	53 410	2 363	-	33 525	3 613	-
Put options						
Commodities						
- written put options	275 860	-	(88 315)	243 700	-	(18 009)
- purchased put options	275 860	88 315	-	243 700	18 009	-
Securities						
- written put options	34 566	-	(8 472)	-	-	-
- purchased put options	32 349	6 637	-	-	-	-
Futures						
Other base assets						
- sale of other base assets	-	-	-	7 818	-	(270)
Swaps						
Credit default swaps	61 500	36 413	-	241 500	81 349	-
Foreign currency swap with embedded written option	250 000	-	(11 961)	250 000	-	(18 561)
Foreign currency swap with embedded purchased option	250 000	11 961	-	250 000	18 561	-
Total		**275 621**	**(204 284)**		**143 913**	**(74 890)**

26 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.

In thousands of US Dollars	2014 Contracts with positive fair value	2014 Contracts with negative fair value	2013 Contracts with positive fair value	2013 Contracts with negative fair value
Deliverable forwards				
- USD receivable on settlement	720 604	17 656	258 401	-
- USD payable on settlement	(231)	(101 087)	-	-
- EUR receivable on settlement	6 611	-	206	69
- RUR receivable on settlement	-	71 782		
- RR payable on settlement	(539 215)	(18 033)	(252 123)	(69)
- Other currencies receivable on settlement	4 373	-	-	-
- Other currencies payable on settlement	-	-	-	-
Non-deliverable forwards				
- USD receivable on settlement	150 364	20 000	77 550	-
- USD payable on settlement	(20 000)	-	(3 251)	-
- RR receivable on settlement	20 273	-	-	-
- RR payable on settlement	(120 803)	(20 273)	(77 073)	-
- Other currencies receivable on settlement	-	-	3 255	-
- Other currencies payable on settlement	-	-	-	-
Deliverable swaps				
- USD receivable on settlement	120 466	-	97 717	110 437
- USD payable on settlement	-	(120 201)	(110 170)	(97 537)
- RUR receivable on settlement	-	4 647	-	94 944
- RUR payable on settlement	(4 644)	-	(94 894)	-
- Other currencies receivable on settlement	-	101 469	110 733	-
- Other currencies payable on settlement	(101 469)	-	-	(110 733)
Net fair value of foreign exchange forwards and swaps	**236 329**	**(44 040)**	**10 351**	**(2 889)**

Forward positions in securities at 31 December 2014 and 2013 are summarised below.

In thousands of US Dollars	2014 Principal or agreed amount Sale	2014 Principal or agreed amount Purchase	2013 Principal or agreed amount Sale	2013 Principal or agreed amount Purchase
Corporate Eurobonds	496 867	655 688	691 080	24 948
Corporate shares	5 516	346 269	5 691	3 560
Corporate bonds	151 833	10 697	322 785	-
ADRs and GDRs	323	37 485	2 071	6 840
Eurobonds of other states	-	-	4 838	-
Russian Federation Eurobonds	9 255	36 925	9 642	-
Domestic bonds of Russia	4 309	4 046	-	-
Total	**668 103**	**1 091 110**	**1 036 107**	**35 348**

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.

26 Derivative Financial Instruments (continued)

The credit quality of derivative financial instruments at 31 December 2014 and 31 December 2013 was as follows:

In thousands of US Dollars	**2014**	**2013**
Neither past due nor impaired		
Standard and Poor's		
- A to AAA rated	22 268	17 213
- B- to BBB rated	244 494	75 691
Moody's		
- B1 to Baa rated	155 780	12 077
Counterparties without external credit rating		
- Group 1	1 982	7 146
- Group 2	87 426	42 137
Total other financial assets	**511 950**	**154 264**

27 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (1) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (2) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (3) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

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

27 Fair Value of Financial Instruments (continued)

	2014			2013		
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	**147 475**	**68 046**	**-**	**139 198**	**5 417**	-
- Corporate Eurobonds	124 787	65 566	-	95 956	5 417	-
- Corporate bonds	-	-	-	1 278	-	-
- Eurobonds of other states	-	-	-	473	-	-
- Corporate shares	13 628	2 480	-	18 862	-	-
- ADRs and GDRs	9 060	-	-	22 629	-	-
Repurchase receivables	**94 255**	**5 520**	**-**	**287 643**	**213 669**	**-**
- Corporate Eurobonds	93 584	5 520	-	278 597	213 669	-
- Russian Federation Eurobonds	671	-	-	-	-	-
- Eurobonds of other states	-	-	-	4 451	-	-
- Corporate shares	-	-	-	4 595	-	-
Investments available for sale	**10 854**	**-**	**-**	**18 479**	**-**	**-**
Other financial assets	**-**	**96 902**		**-**	**101 017**	
- Financial instruments at fair value through profit or loss	-	96 902	-	-	101 017	-
Derivative financial instruments	**81 617**	**430 333**		**8 445**	**145 819**	
- Foreign exchange derivatives	-	236 737	-	-	10 437	-
- Other financial derivatives	81 617	193 596	-	8 445	135 382	-
Total financial assets carried at fair value	**334 201**	**600 801**	**-**	**453 765**	**465 922**	**-**
Financial liabilities						
Derivative financial instruments	**83 973**	**164 351**	**-**	**17 725**	**60 054**	**-**
- Foreign exchange derivatives	-	44 448	-	-	2 930	-
- Other derivative financial instruments	83 973	119 903	-	17 725	57 124	-
Trading securities sold not yet purchased	**747 031**	**-**	**-**	**64 639**	**-**	**-**
Total financial liabilities carried at fair value	**831 004**	**164 351**	**-**	**82 364**	**60 054**	**-**

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 financial derivatives allocated to Level 2 was determined based on the discounted cash flows (DCF) models with all significant inputs observable in the market. The fair value of securities with insignificant trading volumes was based on quotes provided by reputable brokerage houses. The fair value of financial instruments at fair value through profit or loss was based on LIBOR rates and credit value adjustment which reflects the probability of default of counterparty and debit value adjustment which reflects the possibility of the Company's default.

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2014 (2013: none). 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 Fair Value of Financial Instruments (continued)

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

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

	31 December 2014				31 December 2013			
In millions of US Dollars	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets								
Cash and cash equivalents	**-**	**294 198**	**-**	**294 198**	**-**	**93 403**	**-**	**93 403**
Due from banks	**-**	**104 242**	-	**104 242**	-	**101 873**	-	**101 873**
- Margin call deposits related to derivatives	-	85 857	-	85 857	-	33 995	-	33 995
- Reverse sale and repurchase agreements	-	18 385	-	18 385	-	67 878	-	67 878
Loans and advances to customers	**-**	**-**	**782 157**	**782 157**	-	-	**983 361**	**983 361**
- Reverse sale and repurchase agreements	-	-	761 766	761 766	-	-	977 952	977 952
- Other loans and advances to customers	-	-	20 391	20 391	-	-	5 409	5 409
Investments held to maturity	**4 600**	**-**	**-**	**8 486**	**-**	**-**	**-**	**-**
Investments in Companies within the Group	**-**	**-**	**2 658**	**2 658**	**-**	**-**	**2 760**	**2 760**
Other financial assets	**-**	**-**	**264 079**	**291 159**	**-**	**-**	**209 692**	**212 138**
- Claims acquired	-	-	169 261	196 341	-	-	117 436	119 882
- Receivables on operations with securities and foreign currencies	-	-	90 420	90 420	**-**	**-**	90 076	90 076
- Other	-	-	4 398	4 398	-	-	2 180	2 180
Total financial assets not measured at fair value	**4 600**	**398 440**	**1 048 894**	**1 482 900**	**-**	**195 276**	**1 195 813**	**1 393 535**

27 Fair Value of Financial Instruments (continued)

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

	31 December 2014				31 December 2013			
In millions of US Dollars	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Liabilities								
Due to banks	**-**	**376 714**	-	**376 714**	-	**783 443**	-	**783 443**
- Sale and repurchase agreements	-	249 392	-	249 392	-	698 865	-	698 865
- Margin call deposits related to derivatives	-	127 322	-	127 322	-	84 578	-	84 578
Funding from companies within the Group	**-**	**-**	**-**	**-**	**-**	**-**	**60 371**	**60 371**
Other financial liabilities	-	**444 742**	**19 834**	**464 576**	-	**769 775**	**51 163**	**820 938**
- Margin deposits	-	438 173	-	438 173	-	360 888	-	360 888
- Sale and repurchase agreements		6 569	-	6 569	-	408 887	-	408 887
- Payables on operations with securities and foreign currencies	-	-	19 060	19 060	-	-	28 826	28 826
- Dividends payable	-	-	-	-	-	-	21 190	21 190
- Other	-	-	774	774	-	-	1 147	1 147
Total financial liabilities not measured at fair value	**-**	**821 456**	**19 834**	**841 290**	**-**	**1 553 218**	**111 534**	**1 664 752**

28 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.

28 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:

	2014			2013		
In thousands of US Dollars	**Companies within the Group**	**Other related parties**	**Total**	**Companies within the Group**	**Other related parties**	**Total**
Assets						
Cash and cash equivalents	34 878	-	34 878	19 941	-	19 941
Trading securities	29 597	-	29 597	5 624	11 522	17 146
Repurchase receivables	-	-	-	-	63 273	63 273
Due from banks	2 757	-	2 757	2 971	-	2 971
Loans and advances to customers	9	-	9	3 435	-	3 435
Investments in companies within the Group	2 658	-	2 658	2 760	-	2 760
Derivative financial instruments	208 717	-	208 717	38 548	2 357	40 905
Other financial assets	75 185	-	75 185	68 515	1 543	70 058
Total assets with related parties	**353 801**	**-**	**353 801**	**141 794**	**78 695**	**220 489**
Liabilities						
Due to banks	230 774	-	230 774	352 645	-	352 645
Funding from companies within the Group	-	-	-	60 371	-	60 371
Derivative financial instruments	109 478	-	109 478	13 624	22 151	35 775
Other financial liabilities	2 370	-	2 370	440 281	315 399	755 680
Total liabilities with related parties	**342 622**	**-**	**342 622**	**866 921**	**337 550**	**1 204 471**

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 2014 and 2013 were as follows:

	2014			2013		
In thousands of US Dollars	**Companies within the Group**	**Other related parties**	**Total**	**Companies within the Group**	**Other related parties**	**Total**
Interest income	1 244	-	1 244	4 959	2 021	6 980
Interest expense	(26 275)	-	(26 275)	(49 379)	(5 662)	(55 041)
Fee and commission expense	(2 211)	-	(2 211)	(2 304)	-	(2 304)
Gains less losses arising from trading securities	66 435	15 357	81 792	72 117	(17 764)	54 353
Gains less losses arising from foreign currencies	97 237	-	97 237	(107 947)	25	(107 922)
Gains less losses from trading in precious metals	1 745	-	1 745	130	-	130
Operating operating income	74 702	-	74 702	(8 981)	19	(8 962)
Operating expenses	(1 030)	-	(1 030)	(1 036)	-	(1 036)
Total income/(expense) from transactions with related parties	**211 847**	**15 357**	**227 204**	**(92 441)**	**(21 361)**	**(113 802)**

Compensation of members of the Board of Directors of the Company for the year ended 31 December 2014 amounted to USD 597 thousand (2013: USD 622 thousand).

29 Events After the End of the Reporting Period

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.