ALFA CAPITAL HOLDINGS (CYPRUS) LIMITED

Report and Financial Statements

31 December 2011

CONTENTS

Board of Directors and other officers

Board of Directors

Pavel Nazariyan
Andriy Glavatskyy
Constantinos Constantinou
Simon Roache
Yiola Stavraki
Denis Soloviev
Dmitry Serezhin
Konstantinos Hadjisavvas (appointed 24 January 2012)
Demetris Pijiolis (resigned 29 February 2012)

Company Secretary

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

Registered office

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

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2011.

Principal activities

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

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

3 The Company made a profit in 2011 of USD 68 495 thousand (2010: USD 86 298 thousand). The decrease in profitability was mainly due to increase of net interest income amounting to USD 5 293 thousand for the year 2011 comparing to net interest income of USD 19 903 thousand in the year 2010. The increase in gains less losses arising from interest based derivatives of USD 106 thousand in 2011 compared to losses of USD 222 013 in 2010, was partially moderated by the decrease from other operating income of USD 796 thousand in the year 2011 comparing to USD 329 358 thousand in the year 2010. 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 22 to the financial statements.

Future developments

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

Results

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

Share capital

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

Report of the Board of Directors (continued)

Board of Directors

8 The members of the Board of Directors at 31 December 2011 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2011, except Mr Konstantinos Hadjisavvas who was appointed as Director on 24 January 2012 and Mr Demetris Pijiolis who resigned on 29 February 2012.

9 In accordance with the Company's Articles of Association Ms Yiola Stavraki retires and, being eligible, offers herself 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 There were no 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, 28 April 2012

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 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company Alfa Capital Holdings (Cyprus) Limited as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

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

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 28 April 2012

In thousands of US Dollars	**Note***	**31 December 2011**	**31 December 2010**
Assets			
Cash and cash equivalents	7	207 041	146 120
Trading securities	8	148 980	151 999
Repurchase receivables relating to trading securities	8	390 899	512 365
Due from banks	9	308 108	251 243
Loans and advances to customers	10	802 565	53 667
Investments available for sale	11	-	1 712
Investments in companies within the Group	11	5 656	5 656
Other financial assets	12	329 158	309 410
Intangible assets, equipment and leasehold improvements	13	522	2 333
Taxes prepaid		933	658
Total assets		**2 193 862**	**1 435 163**
Liabilities			
Due to banks	14	456 740	541 915
Funding from companies within the Group		401 291	129 218
Other financial liabilities	15	882 247	378 671
Current tax liabilities		1 583	1 583
Total liabilities		**1 741 861**	**1 051 387**
Equity			
Share capital	16	6 017	6 017
Share premium	16	173 997	173 997
Fair value reserve for investments available for sale	11	-	270
Retained earnings		271 987	203 492
Total equity		**452 001**	**383 776**
Total liabilities and equity		**2 193 862**	**1 435 163**

Approved for issue and signed on behalf of the Board of Directors on 28 April 2012.

Andriy Glavatskyy
Director

Pavel Nazariyan
Director

*Refer to Note 26 for information on related party transactions.

In thousands of US Dollars	**Note***	**2011**	**2010**
Interest income	17	39 610	32 577
Interest expense	17	(34 317)	(12 674)
Net interest income		**5 293**	**19 903**
Fee and commission income	18	6 753	2 726
Fee and commission expense	18	(6 421)	(7 140)
Gains less losses arising from trading securities		19 132	(1 269)
Gains less losses arising from foreign currencies		10 694	(17 679)
Gains less losses arising from interest based derivatives		106	(222 013)
Foreign exchange translation gains less losses		42 213	(6 107)
Gains less losses arising from investments available for sale	11	177	3 311
Other operating income	19	796	329 358
Operating expenses	20	(10 955)	(11 707)
Recovery of other provisions/(impairment)	12	1 175	(2 868)
Profit before tax		**68 963**	**86 515**
Income tax charge	21	**(468)**	**(217)**
Profit for the year		**68 495**	**86 298**
Other comprehensive income:			
Gains less losses during the year on available for sale investments	11	(93)	270
Reclassification adjustment for gains included in profit or loss		(177)	(3 311)
Other comprehensive loss for the year		**(270)**	**(3 041)**
Total comprehensive income for the year		**68 225**	**83 257**

*Refer to Note 26 for information on related party transactions.

In thousands of US Dollars	Note	2011	2010
Cash flows from operating activities			
Interest received		33 283	26 491
Interest paid		(34 068)	(8 483)
Fees and commissions received		6 753	2 726
Fees and commissions paid		(6 421)	(6 922)
Net loss from trading securities		(18 513)	(9 134)
Net income/(loss) received from trading in foreign currencies		5 652	(7 228)
Net income received from interest based derivatives		-	39 180
Other operating income received		321	1 002
Operating expenses paid		(8 617)	(8 821)
Income tax paid		(206)	(875)
Cash flows from operating activities before changes in operating assets and liabilities		**(21 816)**	**27 936**
Changes in operating assets and liabilities			
Net decrease/(increase) in trading securities and repurchase receivables relating to trading securities		164 541	(514 397)
Net increase in due from banks		(58 243)	(178 681)
Net increase in loans and advances to customers		(746 805)	(46 821)
Net decrease/(increase) in other financial assets		37 607	(19 676)
Net (decrease)/increase in due to banks		(89 771)	535 414
Net increase in funding from companies within the Group		294 470	24 954
Net increase in other financial liabilities and other liabilities		475 792	158 399
Net cash from/(used in) operating activities		**55 775**	**(12 872)**
Cash flows from investing activities			
Proceeds from disposal of investments available for sale	11	1 619	5 060
Proceeds from disposal of investments in companies within the Group	11	-	1 300
Acquisition of intangible assets, equipment and leasehold improvements	13	(53)	(107)
Dividends received		475	-
Net cash flows from investing activities		**2 041**	**6 253**
Net cash from financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**57 816**	**(6 619)**
Cash and cash equivalents at the beginning of the year	7	146 120	154 659
Effect of exchange rate changes on cash and cash equivalents		3 105	(1 920)
Cash and cash equivalents at the end of the year	**7**	**207 041**	**146 120**

Refer to Notes 12 and 15 for the information on significant non-cash transactions.

In thousands of US Dollars	**Note**	**Share Capital**	**Share Premium**	**Fair value reserve for investments available for sale**	**Retained earnings (1)**	**Total equity**
Balance as at 1 January 2010		**6 017**	**173 997**	**3 311**	**202 194**	**385 519**
Profit for the year		-	-	-	86 298	86 298
Other comprehensive loss		-	-	(3 041)	-	(3 041)
Total comprehensive income for the year		-	-	(3 041)	86 298	83 257
Dividends declared	16	-	-	-	(85 000)	(85 000)
Balance as at 31 December 2010		**6 017**	**173 997**	**270**	**203 492**	**383 776**
Profit for the year		-	-	-	68 495	68 495
Other comprehensive loss		-	-	(270)	-	(270)
Total comprehensive income for the year		-	-	(270)	68 495	68 225
Balance as at 31 December 2011		**6 017**	**173 997**	**-**	**271 987**	**452 001**

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

1 Introduction

Alfa Capital Holdings (Cyprus) Limited (the "Company") was incorporated in Cyprus on 23 April 1996, when it was assigned a registration number 78416, under the provisions of the Cyprus Company Law, Cap. 113. The Company is a subsidiary of Alfa Banking Group. Alfa Banking Group is formed by ABH Financial Limited (the "Parent") and its subsidiaries including OJSC "Alfa Bank" (the "Group").

As at 31 December the ownership structure of the Company was as follows:

	2011	2010
ABH Financial Limited	30.3%	30.3%
Trimix Limited (Cyprus)	-	19.9%
Yanyx Limited (Cyprus)	-	19.9%
OJSC Alfa-Bank ("Alfa Bank")	69.7%	29.9%
Total	100%	100%

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

The Company's principal activities are operations with equity and debt securities and investments, investment of surplus cash into interest earning bonds, deposits, loans and other financial instruments and the provision of financial services to international clients and the Group. The Company is regulated by the Cyprus Securities Exchange Commission ("CySEC"). The Company holds a license from CySEC to engage principally in brokerage activities and proprietary trading. The license entitles the Company to operate both locally (with certain restrictions) and outside Cyprus. In compliance with CySEC requirements aimed to improve market discipline the Company will publish the disclosures as described in the Directive DI144-2007-05 on the Company's website (www.alfacapital.com.cy).

The Company is registered at Elenion Building, 2nd floor, 5 Themistocles Dervis Street, CY-1066, Nicosia, Cyprus.

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

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. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by entities operating in the Russian Federation.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

3 Basis of Preparation and Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113 under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available for sale financial assets, financial instruments categorised as at fair value through profit or loss and all derivative contracts. 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.

These financial statements have been prepared and presented in thousand of United States Dollars ("US Dollars" or "USD") as the functional currency of the Company.

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

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

Financial Instruments - Key measurement terms. Depending on their classification financial instruments are carried at fair value or amortized cost, as described below.

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

In other than active markets, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The most recent transaction prices are appropriately adjusted if they do not reflect current fair values, for example because the transaction was a distress sale. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale.

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

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

3 Basis of Preparation and Significant Accounting Policies (Continued)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortization 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 of the Statement of Financial Position.

The effective interest method is a method of allocating the 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 (refer to income and expense recognition policy within this note).

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 that 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.

The Company uses discounted cash flow valuation technique to determine the fair value of currency swaps that are not traded in an active market. Differences may arise between the fair value at initial recognition which is considered to be the transaction price and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the currency swaps.

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day. All short-term placements with banks, beyond overnight placements, are included in due from banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Trading securities. Trading securities are securities which are either acquired for generating a profit from short-term fluctuations in price or dealer’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, i.e. within a one to three month period. Trading securities are not reclassified out of this category even when the Company’s intentions subsequently change.

Trading securities are carried at fair value. Interest earned on trading securities, calculated using the effective interest method, is presented in the statement of comprehensive income as interest income. Dividends are included in dividend income when the Company’s right to receive dividend payment is established. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from operations with 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.

3 Basis of Preparation and Significant Accounting Policies (Continued)

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

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

Due from banks. Amounts due from banks are recorded when the Company advances money to 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.

Receivables. Receivables represent the major component of other financial assets and consist of receivables for sale of securities, advances made for purchases of securities and other receivables and advances. Receivables are carried at amortised cost.

Impairment of financial assets carried at amortised cost. 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 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 whether a financial asset is impaired is its overdue status and realisability of related collateral, if any.

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

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the Company obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there are significant changes in the borrower's management structure which can cause late payment or absence of same;
- there is 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;
- third party actions: legal and/or tax claims against the borrower (guarantor, underwriter), arrest or seizure of the borrower's (guarantor's, underwriter's) property including property pledged with the Company;
- 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 debtor's 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 experience of the Management in respect of the extent to which amounts will become overdue as a result of past loss events and 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.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Impairment losses are 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 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 the terms of an impaired financial asset held at amortized 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.

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.

Uncollectible assets including accrued interest 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. Necessary procedures to recover the asset include: (i) sending a notification on the repayment of debt to the borrower and the surety, (ii) negotiations with the borrower's management and owners, (iii) analysing liquidity of the borrower's assets, which can be foreclosed to settle the debt, (iv) review condition of the pledged property, (v) submitting legal claims through the courts, and (vi) sale of foreclosed property. Loans to individuals are written off after 180 days of non-payment.

Financial assets – reclassification. The Company may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available for sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held to maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Investments at fair value through profit or loss. Investments at fair value through profit or loss are securities designated irrevocably, at initial recognition into this category. Management designates securities into this category only if (i) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Board of Directors.

Investments available for sale. This classification includes investment securities 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 equity prices. The Company classifies investments as available for sale at the time of purchase. Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available for sale equity instruments are recognised in profit or loss when the Company's right to receive payment is established. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from equity to profit or loss.

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 of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. 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 current period's profit or loss.

3 Basis of Preparation and Significant Accounting Policies (Continued)

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 the 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 additional restrictions on the sale.

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

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of up to ten years.

Depreciation and amortization. Depreciation is applied on a straight-line basis over the estimated useful lives of the assets using the following rates:

Office equipment	16% - 20% per annum;
Computer equipment	25% - 33% per annum;
Computer software	10% - 20% per annum;
Leasehold improvements	Over the term of the underlying lease.

Due to banks and funding from companies within the Group. Amounts due to banks and funding from companies within the Group are recorded when money or other assets are advanced to the Company by counterparty banks or companies. The non-derivative liabilities are carried at amortised cost.

Payables. Payables consist of payables for securities purchased, advances received for securities sold and other payables. Payables are carried at amortised cost.

Income taxes. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated in the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Income and expense recognition. Interest income and expense are recorded in the profit or loss 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 and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability. 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.

Commissions and fees arising from transactions with securities, negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided.

The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Derivative financial instruments. Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are carried at their fair value. 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 derivatives 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 gains or losses from trading in foreign currencies and precious metals, gains or losses from operations with trading securities, depending on the related contracts.

Although often the Company trades in derivative financial instruments for hedging purposes the Company does not apply hedge accounting.

Fiduciary activities. The Company commonly acts as trustee and in other fiduciary capacities that result in the holding of assets on behalf of individuals and institutions. These assets and liabilities arising thereon are excluded from these financial statements, as they are not assets and liabilities of the Company. Commissions received from such operations are shown in fee and commission income within the statement of comprehensive income.

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

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

Dividends. Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Foreign currency translation. Monetary assets and liabilities are translated into the functional currency at the exchange rate at the respective reporting period endings. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the functional currency at year-end exchange rates are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects 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 2011	31 December 2010
1 RR	0.0311	0.0328
1 EURO	1.2943	1.3234

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments 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 judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effecton the amounts recognized in these 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 its major activities include provision of brokerage services to foreign 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.

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. Judgment 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 judgment 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 26.

Fair value of financial instruments. The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require the Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Refer to Note 25.

5 Adoption of New or Revised Standards and Interpretations

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2011 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. As a result of the revised standard, the Company now also discloses contractual commitments to purchase and sell goods or services to its related parties, and provided disclosures of only individually significant transactions with government-related entities.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements. The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in these financial statements by disclosing collateral values separately for (i) those financial assets where collateral and other credit enhancements are equal to, or exceed, carrying value of the asset ("over-collateralised assets") and (ii) those financial assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

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 Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

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

Other revised standards and interpretations effective for the current period. IFRIC 19 “Extinguishing financial liabilities with equity instruments”, amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 “IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction” relating to prepayments of minimum funding requirements and amendments to IFRS 1 “First-time adoption of IFRS”, did not have any impact on these financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2012 or later, and which the Company has not early adopted.

IFRS 9, Financial Instruments Part 1: Classification and Measurement*. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity’s business model is to hold the asset to collect the contractual cash flows, and (ii) the asset’s contractual cash flows represent payments of principal and interest only (that is, it has only “basic loan features”). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

The Company is considering the implication of the standard, the impact on the Company and the timing of its adoption by the Company.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

IFRS 10, Consolidated Financial Statements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)* replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Company does not expect the amendments to have any material effect on its financial statements.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)* replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Company does not expect the amendments to have any material effect on its financial statements.

6 New Accounting Pronouncements (Continued)

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)* applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company does not expect the amendments to have any material effect on its financial statements.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)* aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company does not expect the amendments to have any material effect on its consolidated financial statements.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)* was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Company does not expect the amendments to have any material effect on its financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)*. The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Company does not expect the amendments to have any material effect on its financial statements.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011)*. The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment is not expected to have any impact on the Company's financial statements.

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

Amended IAS 19, Employee Benefits, (issued in June 2011, effective for periods beginning on or after 1 January 2013)* makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Company does not expect the amendments to have any material effect on its financial statements.

6 New Accounting Pronouncements (Continued)

Other revised standards and interpretations. The amendments to IFRS 1 “First-time adoption of IFRS”*, relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, will not have any impact on these financial statements. The amendment to IAS 12 “Income taxes”*, which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, will not have any impact on these financial statements. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, considers when and how to account for the benefits arising from the stripping activity in mining industry. The Company does not expect the amendments to have any material effect on its financial statements.

*Not adopted by the European Union.

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

7 Cash and Cash Equivalents

In thousands of US Dollars	**2011**	**2010**
Current accounts with non-Russian banks	89 545	96 316
Current accounts with Russian banks	117 496	49 804
Total cash and cash equivalents	**207 041**	**146 120**

The Company assesses the credit quality of cash and cash equivalents based on credit agencies’ ratings. The credit quality of cash and cash equivalents as at 31 December 2011 and 2010 was as follows:

In thousands of US Dollars	**2011**	**2010**
Neither past due nor impaired		
Standard and Poor’s		
- A- to AAA rated	80 929	9
- B- to BBB rated	126 052	111 830
- lower than BBB rated	46	-
Moody’s		
- A3 to Aaa rated	-	34 281
- B3 to Baa1 rated	14	-
Total cash and cash equivalents	**207 041**	**146 120**

Cash and cash equivalents are carried at amortised cost which approximates current fair value. Refer to Note 25. Geographical, currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 22. Information on balances with related parties is disclosed in Note 26.

8 Trading Securities and Repurchase Receivables

In thousands of US Dollars	2011	2010
Trading securities		
Corporate Eurobonds	44 162	71 112
Russian Federation Eurobonds	-	227
Eurobonds of other states	2 842	-
Corporate bonds	31 655	181
Total debt trading securities	**78 659**	**71 520**
Corporate shares	46 951	42 754
ADRs and GDRs	23 370	37 725
Total equity trading securities	**70 321**	**80 479**
Total trading securities	**148 980**	**151 999**
Repurchase receivables		
Corporate Eurobonds	359 086	324 829
Russian Federation Eurobonds	-	181 903
Eurobonds of other states	28 843	-
Total repurchase receivables relating to debt trading securities	**387 929**	**506 732**
Corporate shares	2 970	4 988
ADRs and GDRs	-	645
Total repurchase receivables relating to equity trading securities	**2 970**	**5 633**
Total repurchase receivables	**390 899**	**512 365**
Total trading securities and repurchase receivables	**539 879**	**664 364**

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.

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 as at 31 December 2011 and 2010 was as follows:

In thousands of US Dollars	**2011**	**2010**
Trading securities		
Neither past due nor impaired (at fair value)		
Standard and Poor's		
- B- to BBB rated	18 034	65 042
Moody's		
- A3 to Aaa rated	60	-
- B3 to Baa1 rated	33 349	3 130
- Lower than Caa rated	23	-
Counterparties without external credit rating	26 368	-
Total neither past due nor impaired	77 834	68 172
Individually determined to be impaired (at fair value)		
- not past due	-	2 523
- 180 – 360 days overdue	-	825
-more than 360 days overdue	825	-
Total individually determined to be impaired	825	3 348
Total debt trading securities	**78 659**	**71 520**
Repurchase receivables		
Neither past due nor impaired (at fair value)		
Standard and Poor's		
- B- to BBB rated	293 231	299 749
Moody's		
- A3 to Aaa rated	10 202	-
- B3 to Baa1 rated	84 496	206 983
Total repurchase receivables relating to debt trading securities	**387 929**	**506 732**

Corporate Eurobonds are interest-bearing securities denominated in USD and Euro, issued mainly by large Russian companies, and are freely tradable internationally. As at 31 December 2011 these bonds have maturity dates ranging from February 2012 to July 2035 (2010: from February 2011 to November 2020), coupon rates ranging from 4% to 20% p.a. (2010: from 5.0% to 12.8% p.a.) and yields to maturity from 4.28% to 32.51% p.a. (2010: from 2.5% to 39.28% p.a.), depending on the type of bond issue.

Corporate Bonds are interest-bearing securities denominated in USD and Euro, issued mainly by large Russian companies, and are freely tradable internationally. As at 31 December 2011 these bonds have maturity dates of December 2012, coupon rates of 9.25% p.a. and yields to maturity of 2.32% p.a.

Eurobonds of Other States are interest-bearing securities denominated in USD and Euro, issued by Ministries of Finance of CIS countries, and are freely tradable internationally. As at 31 December 2011 these bonds have maturity dates ranging from December 2012 to June 2016, coupon rates ranging from 6.25% to 8.75% p.a. and yields to maturity from 8.38% to 10.33% p.a., depending on the type of bond issue.

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

8 Trading Securities and Repurchase Receivables (Continued)

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

Geographical, currency, maturity and interest rate analyses of trading securities and repurchase receivables relating to trading securities are disclosed in Note 22. The information on trading securities issued by related parties and owned by the Company is disclosed in Note 26.

9 Due from Banks

In thousands of US Dollars	2011	2010
Reverse sale and repurchase agreements	269 700	144 409
Margin call deposits related to derivatives	38 408	106 834
Total due from banks	**308 108**	**251 243**

As at 31 December 2011 reverse sale and repurchase agreements with other banks were effectively collateralized by securities purchased under reverse sale and repurchase agreements with a fair value of USD 254 257 thousand (2010: USD 186 495 thousand).

The Company assesses the credit quality of due from banks balances based on credit agencies' ratings. The credit quality of due from banks balances as at 31 December 2011 was as follows:

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

Analysis by credit quality of due from banks balances as at 31 December 2010 was as follows:

In thousands of US Dollars	Reverse sale and repurchase agreements	Margin call deposits related to derivatives	Total
Neither past due nor impaired			
Standard and Poor's			
- A- to AAA rated	14 478	70 202	84 680
- B- to BBB rated	86 845	-	86 845
Moody's			
- A3 to Aaa rated	-	36 632	36 632
- B3 to Baa1 rated	43 086	-	43 086
Total due from banks	**144 409**	**106 834**	**251 243**

As at 31 December 2011 and 2010 the estimated fair value of each class of financial assets included in due from banks approximates its carrying value. Refer to Note 25. For the purposes of measurement the Company classified all balances included in due from banks as loans and receivables. Geographical, currency, maturity and interest rate analyses of due from banks are disclosed in Note 22. The information on related party balances is disclosed in Note 26.

10 Loans and Advances to Customers

In thousands of US Dollars	**2011**	**2010**
Reverse sale and repurchase agreements with customers	801 577	52 691
Loans and advances to customers	988	976
Total loans and advances to customers	**802 565**	**53 667**

As at 31 December 2011 aggregate reverse sale and repurchase agreements with four largest counterparties amounted to USD 796 945 thousands or 99% of reverse sale and repurchase agreements with customers (2010: two counterparties amounted to USD 52 691 thousands or 100% of reverse sale and repurchase agreements).

As at 31 December 2011 reverse sale and repurchase agreements with customers were effectively collateralized by securities purchased under reverse sale and repurchase agreements with a fair value of USD 1 242 583 thousand (2010: USD 89 144 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.

The credit quality of Loans and advances to customers as at 31 December 2011 and 2010 was as follows:

In thousands of US Dollars	**2011**	**2010**
Neither past due nor impaired		
Standard and Poor's		
- B- to BBB rated	-	43 772
Moody's		
- A3 to Aaa rated	-	8 920
- B1 to Baa1 rated	227	-
Counterparties without external credit rating		
- Group 1	318 507	-
- Group 2	483 831	975
Total loans and advances to customers	**802 565**	**53 667**

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

As at 31 December 2011 and 2010 the estimated fair value of each class of financial assets included in loans and advances to customers approximated their carrying value. Refer to Note 25. For the purposes of measurement the Company classified all balances included in loans and advances to customers as loans and receivables. Geographical, currency, maturity and interest rate risk analyses of loans and advances to customers are disclosed in Note 22. The information on related party balances is disclosed in Note 26.

11 Investments

Investments available for sale

As at 31 December 2010 Investments available for sale were primary represented by participating shares is an investment fund domiciled in Russia.

Movements in investments available for sale were as follows:

In thousands of US Dollars	2011	2010
Carrying value as at 1 January	**1 712**	**7 058**
Disposals	(1 619)	(5 616)
Movement in fair value reserve	(93)	270
Total investments available for sale as at 31 December	**-**	**1 712**

Investments in companies within the Group

In thousands of US Dollars	2011	2010
Investments in companies within the Group at cost		
OJSC Alfa-Bank (Russian Federation, 0.1136%)	27 964	27 964
Alfa Capital LLC (Ukraine, 100.00%)	3 000	3 000
Less: provision for impairment	(25 308)	(25 308)
Total investments in companies within the Group	**5 656**	**5 656**

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

Participation shares in Alfa-Trust AO were disposed during 2010 year with the loss from disposal in the amount of USD 90 thousand.

In January 2010 the Company purchased 100% shares of Reamaron Limited, a limited liability company registered in the British Virgin Islands and in December 2010 sold those shares to a company within the Group for the same consideration. Also, refer to Note 19.

12 Other Financial Assets

In thousands of US Dollars	Note	2011	2010
Receivables on operations with securities and foreign currencies		177 289	209 496
Positive fair value of derivatives	24	149 726	90 487
Other		2 143	10 602
Less: provision for impairment of other assets		-	(1 175)
Total other financial assets		**329 158**	**309 410**

During the year ended 31 December 2010 certain balances receivable from the companies within the Group were settled by receipt of securities with fair value of USD 60 909 thousand (Note 8), by netting with balance of dividends payable by the Company in the amount of USD 74 595 thousand (Note 16) and other payables balances in the amount of USD 493 745 thousand (Notes 15 and 19).

Movements in the provision for impairment of other financial assets were as follows:

In thousands of US Dollars	2011	2010
Provision for impairment as at 1 January	1 175	-
(Recovery of provision)/Provision for impairment during the year	(1 175)	2 868
Amounts written off during the year as uncollectible	-	(1 693)
Provision for impairment as at 31 December	**-**	**1 175**

12 Other Financial Assets (Continued)

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

Group 1 – new customers (credit history of less than 6 months);
Group 2 – existing customers (credit history of more than 6 months) with no defaults in the past.

The credit quality of other financial assets as at 31 December 2011 based on ratings of counterparties was as follows:

In thousands of US Dollars	**Receivables on operations with securities and foreign currencies**	**Positive fair value of derivatives**	**Other**	**Total**
Neither past due nor impaired				
Standard and Poor's				
- A- to AAA rated	1 526	66 415	-	67 941
- B- to BBB rated	31	14 590	-	14 621
Moody's				
- A3 to Aaa rated	-	2 186	-	2 186
- B1 to Baa1 rated	4	-	-	4
Counterparties without external credit rating				
- Group 2	175 728	66 535	2 143	244 406
Total neither past due nor impaired	177 289	149 726	2 143	329 158
Not past due but impaired	-	-	-	-
Total other financial assets	**177 289**	**149 726**	**2 143**	**329 158**

The credit quality of other financial assets as at 31 December 2010 based on ratings of counterparties was as follows:

In thousands of US Dollars	**Receivables on operations with securities and foreign currencies**	**Positive fair value of derivatives**	**Other**	**Total**
Neither past due nor impaired				
Standard and Poor's				
- A- to AAA rated	570	9 756	-	10 326
- B- to BBB rated	186 324	72 785	3 014	262 123
- Lower than B- rated	13 925	-	-	13 925
Moody's				
- A3 to Aaa rated	992	3 522	-	4 514
Counterparties without external credit rating				
- Group 1	7 685	4 424	2 454	14 563
Total neither past due nor impaired	209 496	90 487	5 468	305 451
Not past due but impaired	-	-	5 134	5 134
Total gross other financial assets	**209 496**	**90 487**	**10 602**	**310 585**
Provision for impairment	-	-	(1 175)	(1 175)
Total other financial assets	**209 496**	**90 487**	**9 427**	**309 410**

12 Other Financial Assets (Continued)

As at 31 December 2011 and 2010 the estimated fair value of each class of other financial assets approximated their carrying value. Refer to Note 25. For the purposes of measurement the Company classified all balances included in other financial assets, except for derivative financial instruments, as loans and receivables. Refer to Note 24 for information on derivative financial instruments. Geographical, currency and maturity analyses of other financial assets are disclosed in Note 22. Information on balances with related parties is disclosed in Note 26.

13 Intangible Assets, Equipment and Leasehold Improvements

In thousands of US Dollars	Note	Intangible assets	Equipment	Leasehold improvements	Total
Carrying amount as at 31 December 2009		**4 691**	**123**	**208**	**5 022**
Cost					
Opening balance		22 929	984	694	24 607
Additions		9	98	-	107
Disposals		-	(19)	-	(19)
Closing balance		**22 938**	**1 063**	**694**	**24 695**
Accumulated depreciation					
Opening balance		(18 238)	(861)	(486)	(19 585)
Depreciation and amortization	20	(2 609)	(139)	(48)	(2 796)
Disposals		-	19	-	19
Closing balance		**(20 847)**	**(981)**	**(534)**	**(22 362)**
Carrying amount as at 31 December 2010		**2 091**	**82**	**160**	**2 333**
Cost					
Opening balance		22 938	1 063	694	24 695
Additions		12	41	-	53
Disposals		-	(118)	(404)	(522)
Closing balance		**22 950**	**986**	**290**	**24 226**
Accumulated depreciation					
Opening balance		(20 847)	(981)	(534)	(22 362)
Depreciation and amortization	20	(1 714)	(107)	(44)	(1 865)
Disposals		-	119	404	523
Closing balance		**(22 561)**	**(969)**	**(174)**	**(23 704)**
Carrying amount as at 31 December 2011		**389**	**17**	**116**	**522**

14 Due to Banks

In thousands of US Dollars	2011	2010
Sale and repurchase agreements	454 154	539 462
Margin call deposits related to derivatives	2 586	2 453
Total due to banks	**456 740**	**541 915**

As at 31 December 2011 sale and repurchase receivables were effectively secured by trading securities in the amount of USD 390 899 thousand (2010: 512 365 thousand) (Note 8) and trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 327 685 thousand (2010: 191 635 thousand) (Note 9 and 10).

As at 31 December 2011 and 2010 the estimated fair value of each class of financial liabilities included in due to banks approximated their carrying value. Refer to Note 25. Geographical, currency, maturity and interest rate analyses of due to banks are disclosed in Note 22. Information on the balances with related parties is disclosed in Note 26.

15 Other Financial Liabilities

In thousands of US Dollars	Note	2011	2010
Payables on operations with securities and foreign currencies		392 063	231 890
Trading securities sold not yet purchased		328 404	22 658
Negative fair value of derivatives	24	132 137	89 565
Dividends payable	16	23 816	31 889
Other		5 827	2 669
Total other financial liabilities		**882 247**	**378 671**

During the year ended 31 December 2010 certain balances payable to the companies within the Group were settled by netting with balances receivable from companies within the Group in the amount of USD 568 340 thousand. Refer to Note 12, 16 and 26.

As at 31 December 2011 and 2010 the estimated fair value of each class of other financial liabilities approximated their carrying value. Refer to Note 25.

Geographical, currency and maturity analyses of other financial liabilities are disclosed in Note 22. Information on balances with related parties is disclosed in Note 26.

16 Share Capital and Share Premium

In thousands of US Dollars	Number of shares	Share capital	Share premium	Total
At 1 January 2010/31 December 2010/ 31 December 2011	3 000 000	6 017	173 997	180 014

As at 31 December 2011 and 2010 authorised, issued and fully paid capital consisted of 3 000 000 ordinary shares of EUR1.71 each. All shares rank equally and carry one vote.

16 Share Capital and Share Premium (continued)

In July 2010 the Company declared dividends in the amount of USD 85 000 thousand. On 31 December 2010 the amount of USD 74 595 thousand of dividends was netted against accounts receivable from the companies within the Group. Refer to Note 12. Refer to Note 15 for the dividends payable outstanding as at 31 December 2011 and 2010.

17 Interest Income and Expense

In thousands of US Dollars	**2011**	**2010**
Interest income		
Debt trading securities and repurchase receivables relating to trading securities	26 245	30 288
Loans and advances to customers	10 014	183
Due from banks	3 100	1 926
Other	251	180
Total interest income	**39 610**	**32 577**
Interest expense		
Funding from companies within the Group	25 615	4 714
Due to banks	4 880	3 951
Margin accounts	3 803	3 991
Other	19	18
Total interest expense	**34 317**	**12 674**
Net interest income	**5 293**	**19 903**

Refer to Note 26 for information on related parties transactions.

18 Fee and Commission Income and Expense

In thousands of US Dollars	**2011**	**2010**
Fee and commission income		
Transactions with securities	2 651	2 199
Consulting services	4 079	493
Other	23	34
Total fee and commission income	**6 753**	**2 726**
Fee and commission expense		
Transactions with securities	5 500	6 300
Cash and foreign currency exchange transactions	882	835
Other	39	5
Total fee and commission expense	**6 421**	**7 140**
Net fee and commission expense	**332**	**(4 414)**

Refer to Note 26 for information on related parties transactions.

19 Other operating income

In thousands of US Dollars	2011	2010
Dividend income	475	327 099
Other	321	2 259
Total other operating income	**796**	**329 358**

In November 2010 Reamaron Limited declared dividends in the amount of USD 326 356 thousand out of profits made since the date of its acquisition by the Company.

20 Operating Expenses

In thousands of US Dollars	Note	2011	2010
Staff costs		4 012	4 882
Consulting and professional services		2 695	2 339
Depreciation and amortization	13	1 865	2 796
Rent, heat and utilities		372	224
Communications		304	341
Other		1 707	1 125
Total operating expenses		**10 955**	**11 707**

Refer to Note 26 for information on related parties transactions.

Consulting and professional services expenses stated above include audit fees of USD13 thousand (2010: USD12 thousand), fees of USD148 thousand (2010: USD160 thousand) for tax consultancy services and USD 121 thousand (2010: USD80 thousand) for other services charged by the Company's statutory audit firm.

21 Income Taxes

In thousands of US Dollars	2011	2010
Current tax		
Corporation tax	468	217
Income tax charge for the year	**468**	**217**

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	2011	2010
Accounting profit before tax	**68 963**	**86 515**
Theoretical tax charge at the applicable rate 10%	6 896	8 652
Tax effect of expenses not deductible for tax purposes	458	27 450
Tax effect of allowances and income not subject to tax	(6 533)	(32 985)
Tax effect of losses brought forward	(353)	(2 900)
Income tax charge	**468**	**217**

The Company is subject to corporation tax on taxable profits at the rate of 10%.

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

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013.

21 Income Taxes (continued)

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

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

Tax effects of components of other comprehensive income

In thousands of US Dollars	Year ended 31 December					
	2011			2010		
	Before tax	**Tax (charge)/ credit**	**After tax**	Before tax	Tax (charge)/ credit	After tax
Available-for-sale financial assets:						
Fair value loss	**270**	**-**	**270**	**3 041**	**-**	**3 041**

22 Financial Risk Management

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

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

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

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

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

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

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

22 Financial Risk Management (Continued)

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

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

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

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

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

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

Geographical risk is the risk of losses as a result of foreign counterparties failing to meet their obligations due to economical, political and social changes in respective regions.

The geographical concentration of the Company's assets and liabilities as at 31 December 2011 is disclosed in table below:

In thousands of US Dollars	**Russia**	**Europe**	**Other**	**Total**
Assets				
Cash and cash equivalents	117 496	89 495	50	207 041
Trading securities	130 246	13 847	4 887	148 980
Repurchase receivables relating to trading securities	359 299	-	31 600	390 899
Due from banks	14 436	293 672	-	308 108
Loans and advances to customers	230 245	571 904	416	802 565
Investments in companies within the Group	3 671	-	1 985	5 656
Other financial assets	235 272	92 884	1 002	329 158
Intangible assets, equipment and leasehold improvements	-	522	-	522
Taxes prepaid	-	933	-	933
Total assets	**1 090 665**	**1 063 257**	**39 940**	**2 193 862**
Liabilities				
Due to banks	137 673	319 067	-	456 740
Funding from companies within the Group	401 291	-	-	401 291
Other financial liabilities	459 211	394 007	29 029	882 247
Current tax liabilities	-	1 583	-	1 583
Total liabilities	**998 175**	**714 657**	**29 029**	**1 741 861**
Net balance sheet position as at 31 December 2011	**92 490**	**348 600**	**10 911**	**452 001**

22 Financial Risk Management (Continued)

The geographical concentration of the Company's assets and liabilities as at 31 December 2010 is disclosed in table below:

In thousands of US Dollars	Russia	Europe	Other	Total
Assets				
Cash and cash equivalents	96 316	49 761	43	146 120
Trading securities	124 146	809	27 044	151 999
Repurchase receivables relating to trading securities	486 372	-	25 993	512 365
Due from banks	129 936	121 307	-	251 243
Loans and advances to customers	15 196	37 698	773	53 667
Investments available for sale	1 712	-	-	1 712
Investments in companies within the Group	3 671	-	1 985	5 656
Other financial assets	282 498	21 643	5 269	309 410
Intangible assets, equipment and leasehold improvements	-	2 333	-	2 333
Taxes prepaid	-	658	-	658
Total assets	**1 139 847**	**234 209**	**61 107**	**1 435 163**
Liabilities				
Due to banks	65 772	476 143	-	541 915
Funding from companies within the Group	129 218	-	-	129 218
Other financial liabilities	154 062	213 605	11 004	378 671
Current tax liabilities	-	1 583	-	1 583
Total liabilities	**349 052**	**691 331**	**11 004**	**1 051 387**
Net balance sheet position as at 31 December 2010	**790 795**	**(457 122)**	**50 103**	**383 776**

Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties are allocated to the caption "Russia". Intangible assets have been allocated based on the country where they are used. Equipment and leasehold improvements have been allocated based on the country in which they are physically held.

Currency risk is the risk that movements in foreign exchange rates will have an adverse effect on the Company's income or the value of its portfolio of financial instruments.

22 Financial Risk Management (Continued)

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

In thousands of US Dollars	USD	RUR	Other currencies	Non-monetary	Total
Assets					
Cash and cash equivalents	128 914	39 183	38 944	-	207 041
Trading securities	36 860	40 553	1 246	70 321	148 980
Repurchase receivables relating to trading securities	387 813	-	116	2 970	390 899
Due from banks	293 406	14 436	266	-	308 108
Loans and advances to customers	781 629	20 936	-	-	802 565
Investments in companies within the Group	-	-	-	5 656	5 656
Other financial assets	270 341	56 155	2 552	110	329 158
Intangible assets, equipment and leasehold improvements	-	-	-	522	522
Taxes prepaid	-	-	933	-	933
Total assets	**1 898 963**	**171 263**	**44 057**	**79 579**	**2 193 862**
Liabilities					
Due to banks	425 252	28 906	2 582	-	456 740
Funding from companies within the Group	-	401 291	-	-	401 291
Other financial liabilities	567 729	102 696	211 758	64	882 247
Current tax liabilities	-	-	-	1 583	1 583
Total liabilities	**992 981**	**532 893**	**214 340**	**1 647**	**1 741 861**
Net balance sheet position	**905 982**	**(361 630)**	**(170 283)**	**77 932**	**452 001**
Net balance sheet position less fair value of foreign currency exchange derivatives	**910 827**	**(383 144)**	**(158 723)**	**77 932**	**446 892**
Derivatives (Note 24)	**(18 560)**	**25 906**	**(2 237)**	**-**	**5 109**
Net balance sheet and derivatives position as at 31 December 2011	**892 267**	**(357 238)**	**(160 960)**	**77 932**	**452 001**

22 Financial Risk Management (Continued)

The table below summaries the Company's exposure to foreign currency exchange rate risk as at 31 December 2010:

In thousands of US Dollars	USD	RUR	Other currencies	Non-monetary	Total
Assets					
Cash and cash equivalents	90 679	18 992	36 449	-	146 120
Trading securities	27 521	42 632	1 366	80 480	151 999
Repurchase receivables relating to trading securities	506 732	-	-	5 633	512 365
Due from banks	166 001	52 877	32 365	-	251 243
Loans and advances to customers	38 472	15 195	-	-	53 667
Investments available for sale	-	-	-	1 712	1 712
Investments in companies within the Group	-	-	-	5 656	5 656
Other financial assets	239 770	61 016	8 624	-	309 410
Intangible assets, equipment and leasehold improvements	-	-	-	2 333	2 333
Taxes prepaid	-	-	658	-	658
Total assets	**1 069 175**	**190 712**	**79 462**	**95 814**	**1 435 163**
Liabilities					
Due to banks	468 104	62 878	10 933	-	541 915
Funding from companies within the Group	80 000	49 218	-	-	129 218
Other financial liabilities	283 191	72 694	22 786	-	378 671
Current tax liabilities	-	-	1 583	-	1 583
Total liabilities	**831 295**	**184 790**	**35 302**	**-**	**1 051 387**
Net balance sheet position	**237 880**	**5 922**	**44 160**	**95 814**	**383 776**
Net balance sheet position less fair value of foreign currency exchange derivatives	236 588	7 697	43 526	96 247	384 058
Derivatives (Note 24)	**118 017**	**(109 832)**	**(8 467)**	**-**	**(282)**
Net balance sheet and derivatives position as at 31 December 2010	**354 605**	**(102 135)**	**35 059**	**96 247**	**383 776**

The Company is exposed to currency risk arising from foreign currency exposures mainly with respect to Russian Rouble and Euro. Foreign exchange risk arises from future transactions and recognised assets and liabilities. The Company does not have a policy to hedge currency risk exposure. The management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Derivatives represent the fair value, as 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 24.

The following table represents sensitivities of profit and loss to reasonably possible changes in exchange rates on currencies other than functional currency applied at the end of reporting period, with all other variables held constant.

	2011	2010
In thousands of US Dollars	**Impact on profit or loss (pre-tax)**	**Impact on profit or loss (pre-tax)**
Russian Rouble strengthening by 10%	(35 724)	(10 214)
Russian Rouble weakening by 10%	35 724	10 214
Other currencies strengthening by 10%	(16 069)	3 506
Other currencies weakening by 10%	16 069	(3 506)

22 Financial Risk Management (Continued)

All transactions with currency risk exposure are performed within limits for open foreign currency position. Such limits are established taking into consideration expected future movements in foreign exchange rates which are based on historical volatilities, scenario modelling and expert estimates.

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

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 as at 31 December 2011 was as follows:

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

22 Financial Risk Management (Continued)

The undiscounted maturity analysis of financial liabilities as at 31 December 2010 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	254 201	-	289 134	-	543 335
Funding from companies within the Group	712	81 220	50 164	-	132 096
Other non-derivative financial liabilities	289 106	-	-	-	289 106
Gross settled derivatives					
-inflow	(514 333)	(22 060)	(21 382)	(348 668)	(906 443)
-outflow	513 111	16 353	15 973	362 964	908 401
Net settled derivatives	14 613	51 538	1 218	12 078	79 447
Total potential future payments for financial obligations	**557 410**	**127 051**	**335 107**	**26 374**	**1 045 942**

Payments in respect of gross settled forwards 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, which may be summarized as at 31 December 2011 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	207 041	-	-	-	-	207 041
Trading securities	148 980	-	-	-	-	148 980
Repurchase receivables relating to trading securities	390 899	-	-	-	-	390 899
Due from banks	231 283	-	76 825	-	-	308 108
Loans and advances to customers	459 300	227 495	115 770	-	-	802 565
Investments in companies within the Group	-	-	-	-	5 656	5 656
Other financial assets	215 450	71 780	8 119	33 809	-	329 158
Intangible assets, equipment and leasehold improvements	-	-	-	-	522	522
Taxes prepaid	933	-	-	-	-	933
Total assets	**1 653 886**	**299 275**	**200 714**	**33 809**	**6 178**	**2 193 862**
Liabilities						
Due to banks	417 067	19 494	20 179	-	-	456 740
Funding from companies within the Group	-	288 855	112 436	-	-	401 291
Other financial liabilities	770 614	71 566	7 902	32 165	-	882 247
Current tax liabilities	1 583	-	-	-	-	1 583
Total liabilities	**1 189 264**	**379 916**	**140 517**	**32 165**	**-**	**1 741 861**
Net expected liquidity gap as at 31 December 2011	**464 622**	**(80 640)**	**60 197**	**1 644**	**6 178**	**452 001**
Cumulative expected liquidity gap as at 31 December 2011	**464 622**	**383 982**	**444 179**	**445 823**	**452 001**	**-**

22 Financial Risk Management (Continued)

The following table represents analysis of assets and liabilities as at 31 December 2010 by their expected maturities as determined by the Company:

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	146 120	-	-	-	-	146 120
Trading securities	151 999	-	-	-	-	151 999
Repurchase receivables relating to trading securities	299 347	-	213 018	-	-	512 365
Due from banks	236 765	-	14 478	-	-	251 243
Loans and advances to customers	53 667	-	-	-	-	53 667
Investments available for sale	-	-	-	-	1 712	1 712
Investments in companies within the Group	-	-	-	-	5 656	5 656
Other financial assets	232 931	47 648	1 227	27 604	-	309 410
Intangible assets, equipment and leasehold improvements	-	-	-	-	2 333	2 333
Taxes prepaid	658	-	-	-	-	658
Total assets	**1 121 487**	**47 648**	**228 723**	**27 604**	**9 701**	**1 435 163**
Liabilities						
Due to banks	254 134	-	287 781	-	-	541 915
Funding from companies within the Group	-	80 000	49 218	-	-	129 218
Other financial liabilities	299 872	57 389	-	21 410	-	378 671
Current tax liabilities	1 583	-	-	-	-	1 583
Total liabilities	**555 589**	**137 389**	**336 999**	**21 410**	**-**	**1 051 387**
Net expected liquidity gap as at 31 December 2010	**565 898**	**(89 741)**	**(108 276)**	**6 194**	**9 701**	**383 776**
Cumulative expected liquidity gap as at 31 December 2010	**565 898**	**476 157**	**367 881**	**374 075**	**383 776**	

The above analysis is based on expected maturities and therefore the entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of portfolio's realisability.

Interest rate risk is the risk that movements in interest rates will have an adverse effect on the Company's income or the value of its portfolios of financial instruments.

As evidenced by the table below which discloses exposure to interest rate risks, the Company does not have significant long-term interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The Company's management monitors the interest rate fluctuations on a continuous basis through analysis of the structure of assets and liabilities by repricing dates and acts accordingly.

22 Financial Risk Management (Continued)

The table presents the aggregated amounts of the Companies' financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
31 December 2011						
Total financial assets	1 577 214	299 275	200 714	33 809	75 739	2 186 751
Total financial liabilities	1 187 681	379 915	140 517	32 165	-	1 740 278
Net interest sensitivity gap as at 31 December 2011	**389 533**	**(80 640)**	**60 197**	**1 644**	**75 739**	**446 473**
31 December 2010						
Total financial assets	969 655	47 648	228 723	98 299	87 847	1 432 172
Total financial liabilities	554 006	137 389	336 999	21 410	-	1 049 804
Net interest sensitivity gap as at 31 December 2010	**415 649**	**(89 741)**	**(108 276)**	**76 889**	**87 847**	**382 368**

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

The table below summarizes the effective interest rates by major currencies for major monetary financial instruments. The analysis has been prepared using year-end effective contractual rates.

	31 December 2011			31 December 2010		
In thousands of US Dollars	USD	RUR	Other	USD	RUR	Other
Assets						
Cash and cash equivalents	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trading securities	7.4%	9.1%	5.0%	8.5%	8.4%	3.9%
Repurchase receivables relating to trading securities	6.6%	-	4.0%	6.6%	-	-
Due from banks						
– margin deposits	0.04%	0.0%	-	0.1%	-	0.8%
– reverse sale and repurchase agreements with banks	2.05%	1.04%	-	1.1%	1.5%	1.4%
Loans and advances to customers						
– reverse sale and repurchase agreements with customers	2.83%	5.5%	-	0.3%	0.6%	-
– other loans and advances to customers	5.99%	0.0%	-	0.0%	8.5%	-
Liabilities						
Due to banks						
– sale and repurchase agreements with banks	1.2%	0.0%	-	1.1%	(4.4%)*	1.5%
– margin deposits	0.0%	0.0%	-	0.0%	-	0.0%
Funding from companies within the Group	-	8.23%	-	6.2%	7.5%	-

*As at 31 December 2010 certain sale and repurchase agreements had negative interest rates since the Company was able to take advantage of the temporary shortage of certain securities on the market.

For the year ended 31 December 2011, if interest rates at that date had been 100 basis points lower, with all other variables held constant, pre-tax profit for the year would have been USD 1 291 lower (2010: USD 2 205 lower).

If interest rates had been 100 basis points higher, with all other variables held constant, pre-tax profit for the year would have been USD 1 291 higher (2010: USD 2 205 higher).

23 Management of Capital

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

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

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

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 2011 and 2010.

24 Commitments and Contingencies

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

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

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

To the best of Management's knowledge, no material breaches of law have occurred. Thus, the Company has not recorded any provision for potential impact of any such breaches as at 31 December 2011 and 2010.

Legal Proceedings. As at 31 December 2011 and 2010 the Company was not engaged in any material litigation proceedings.

Assets pledged and restricted. As at 31 December 2011 sale and repurchase receivables were effectively secured by trading securities in the amount of USD 390 899 thousand (2010: USD 512 365 thousand) (Note 8) and trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 327 685 thousand (2010: USD 191 635 thousand) (Notes 9 and 10).

In addition, as at 31 December 2011 margin deposits in the amount of USD 38 408 thousand were placed with banks as collateral for transactions with derivatives (2010: USD 106 834 thousand). Refer to Note 9.

24 Commitments and Contingencies (Continued)

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

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

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.

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.

	2011			**2010**		
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	498 343	16 727	(2 891)	498 022	5 612	(4 176)
- purchase of securities	12	-	-	15 101	-	(227)
Non-deliverable forwards						
Securities						
- sale of securities	931	109	-	-	-	-
Call options						
Commodities						
- written call options	110 799	-	(1 108)	133 171	-	(2 018)
- purchased call options	110 799	1 108	-	133 171	2 018	-
Securities						
- written call options	577	-	(577)	-	-	-
- purchased call options	762	762	-	-	-	-
Put options						
Commodities						
- written put options	83 196	-	(1 508)	99 994	-	(6 132)
- purchased put options	83 196	1 508	-	99 994	6 155	-
Foreign currency						
- written put options	-	-	-	1 250	-	(28)
Securities						
- written put options	2 016	-	(2 016)	-	-	-
- purchased put options	416	416	-	-	-	-
Futures						
Other base assets						
- sale of other base assets	2 684	-	(50)	-	-	-
Swaps						
Interest rate swaps - pay fixed interest, receive floating interest	31 060	801	-	-	-	-
Interest rate swaps with a subsidiary of the Group - pay floating interest, receive fixed interest	31 060	-	(801)	-	-	-
Total		**21 431**	**(8 951)**		**13 785**	**(12 581)**

24 Commitments and Contingencies (Continued)

The table below sets out fair values, as at the end of the reporting period, of currencies receivable or payable under foreign exchange 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 respective reporting dates.

	2011		2010	
In thousands of US Dollars	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Deliverable forwards				
- USD receivable on settlement	37 341	-	-	-
- USD payable on settlement	-	(9 971)	-	-
- RUR receivable on settlement	-	8 911	-	-
- RUR payable on settlement	(32 267)	-	-	-
Non-deliverable forwards				
- USD receivable on settlement	1 799 130	227 229	665 053	3 650 746
- USD payable on settlement	(344 493)	(1 727 797)	(3 538 431)	(627 768)
- EUR receivable on settlement	129 830	621 824	513	17 926
- EUR payable on settlement	(621 824)	(130 238)	-	(1 198)
- RUR receivable on settlement	984 125	1 778 344	3 598 215	618 687
- RUR payable on settlement	(1 846 454)	(867 346)	(655 747)	(3 671 196)
- Other currencies receivable on settlement	11 021	5 815	-	-
- Other currencies payable on settlement	(9 075)	(9 995)	-	(57 729)
Deliverable swaps				
- USD receivable on settlement	70 706	-	-	-
- USD payable on settlement	-	(70 705)	-	-
- RUR receivable on settlement	-	65 628	-	-
- RUR payable on settlement	(65 364)	-	-	-
Non-deliverable swaps				
- USD receivable on settlement	38 671	-	48 548	-
- USD payable on settlement	-	(38 671)	-	(80 131)
- EUR receivable on settlement	139 489	-	143 769	31 338
- EUR payable on settlement	-	(139 084)	-	(143 086)
- RUR receivable on settlement	-	162 870	-	185 427
- RUR payable on settlement	(162 541)	-	(185 218)	-
Total	**128 295**	**(123 186)**	**76 702**	**(76 984)**

Forward positions in securities as at 31 December 2011 and 2010 are summarised below.

	2011		2010	
	Principal or agreed amount		**Principal or agreed amount**	
In thousands of US Dollars	**Sale**	**Purchase**	**Sale**	**Purchase**
Municipal bonds	175 645	-	20 367	7 161
Corporate Eurobonds	157 934	-	126 000	-
Russian Federation Eurobonds	69 803	-	29 524	7 940
Corporate shares	29 706	12	377	-
Domestic bonds of Russia	28 179	-	-	-
Eurobonds of other states	19 209	-	101 225	-
Corporate bonds	17 858	-	187 988	-
ADRs and GDRs	940	-	32 541	-
Total	**499 274**	**12**	**498 022**	**15 101**

25 Fair Value of Financial Instruments

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

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

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

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

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

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

The carrying value of financial liabilities approximates their fair values.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Their fair values are based on observable market prices. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities. The fair value of derivative financial instruments is disclosed in Note 24.

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

	2011	**2010**
Due from banks	1.9% to 4.25% p.a.	0.0% to 1.5% p.a.
Loans and advances to customers	(2%)* to 6% p.a.	0.0% to 15.0% p.a.
Due to banks	0.3% to 3.25% p.a.	(4.4%)* to 3.1% p.a.
Funding from companies within the Group	7.79% to 8.65% p.a.	6.1% to 7.5% p.a.

*Refer to Note 22.

25 Fair Value of Financial Instruments (Continued)

For financial instruments carried at fair value, the levels in the fair value hierarchy which the fair values are attributed to were as follows:

	2011			2010		
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						
- Corporate Eurobonds	44 162	-	-	67 764	3 348	-
- Russian Federation Eurobonds	-	-	-	227	-	-
- Eurobonds of other states	2 842	-	-	-	-	-
- Corporate bonds	31 655	-	-	181	-	-
- Corporate shares, ADRs and GDRs	70 321	-	-	80 479	-	-
Repurchase receivables (trading securities)						
- Corporate Eurobonds	359 086	-	-	324 829	-	-
- Russian Federation Eurobonds	-	-	-	181 903	-	-
- Corporate shares, ADRs and GDRs	2 970	-	-	5 633	-	-
-Eurobonds of other states	28 843	-	-	-	-	-
Investments available for sale						
- Participating shares in investment funds	-	-	-	-	-	1 712
Other financial assets						
Foreign exchange forward contracts	-	107 336	-	-	69 603	-
Other financial derivatives	16 836	25 554	-	5 612	15 272	-
Total financial assets carried at fair value	**556 715**	**132 890**	**-**	**666 628**	**88 223**	**1 712**
Financial liabilities						
Other financial liabilities						
- Foreign exchange forward contracts		103 025	-	-	70 532	-
- Other derivative financial instruments	2 891	26 221	-	4 403	14 630	-
Total financial liabilities carried at fair value	**2 891**	**129 246**	**-**	**4 403**	**85 162**	**-**

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

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

Level 3. As at 31 December 2010 equity investments available for sale in the amount of USD 1 712 thousand allocated to Level 3 represent investments in unit funds and have been valued using the net assets values reported by the funds' management.

25 Fair Value of Financial Instruments (Continued)

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. Significance of a valuation input is assessed against the fair value measurement in its entirety.

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2011 was as follows:

In thousands of US Dollars	**Equity investments available for sale**
Fair value at 1 January 2011	**1 712**
Disposals	(1 619)
Transfer from level 3 to level 1	-
Losses less gains recognised in other comprehensive income	(93)
Fair value at 31 December 2011	**-**
Revaluation losses less gains recognised in profit or loss for the year for assets held as at 31 December 2011	**-**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2010 was as follows:

In thousands of US Dollars	**Trading securities**	**Equity investments available for sale**
Fair value at 1 January 2010	**11 290**	**7 058**
Disposals	(10 055)	(5 616)
Transfer from level 3 to level 1	(1 235)	-
Gains less losses recognised in other comprehensive income	-	270
Fair value at 31 December 2010	**-**	**1 712**
Revaluation losses less gains recognised in profit or loss for the year for assets held as at 31 December 2010	**-**	**-**
Revaluation gains less losses recognised in other comprehensive income for the year for assets held as at 31 December 2010	**-**	**59**

26 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 and Alfa Group (Note 1), the other companies within the Group and Alfa Group and companies related to the Group and Alfa Group are considered to be related parties and transactions with these companies to be related party transactions.

26 Related Party Transactions (Continued)

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

In thousands of US Dollars	2011 Companies within the Group	2011 Other related parties	2011 Total	2010 Companies within the Group	2010 Other related parties	2010 Total
Assets						
Cash and cash equivalents	126 002	50	126 052	111 788	43	111 831
Trading securities	37 824	2 181	40 005	-	-	-
Repurchase receivables relating to trading activities	-	56 711	56 711	-	8 078	8 078
Due from banks	4 586	-	4 586	86 348	-	86 348
Loans and advances to customers	-	-	-	689	527	1 216
Investments available for sale	-	-	-	-	1 712	1 712
Investments in companies within the Group	5 656	-	5 656	5 656	-	5 656
Other financial assets	227 783	3 429	231 212	256 701	1 378	258 079
Total assets with related parties	**401 851**	**62 371**	**464 222**	**461 182**	**11 738**	**472 920**
Liabilities						
Due to banks	138 156	-	138 156	65 326	-	65 326
Funding from companies within the Group	401 291	-	401 291	129 218	-	129 218
Other financial liabilities	304 540	11 585	316 125	140 411	11 643	152 054
Total liabilities with related parties	**843 987**	**11 585**	**855 572**	**334 955**	**11 643**	**346 598**
Interest income	516	3	519	2 084	1 648	3 732
Interest expense	(27 557)	(534)	(28 091)	(4 714)	(73)	(4 787)
Fee and commission expense	(3 696)	(545)	(4 241)	(5 402)	-	(5 402)
Gains less losses arising from trading securities	54 259	2 056	56 315	20 608	305	20 913
Gains less losses arising from foreign currencies	164 850	-	164 850	72 742	956	73 698
Gains less losses arising from interest based derivatives	1 195	-	1 195	(205 947)	-	(205 947)
Gains less losses arising from investments available for sale	-	-	-	-	3 313	3 313
Other operating income (Note 19)	(1 162)	-	(1 162)	328 356	-	328 356
Operating expenses	(1 195)	-	(1 195)	(1 033)	-	(1 033)
Total income from transactions with related parties	**187 210**	**980**	**188 190**	**206 694**	**6 149**	**212 843**

Gains less losses arising from interest based derivatives for 2010 in the table above included a loss in the amount of USD 295 750 thousand relating to early termination of interest rate swap agreements with the companies within the Group. Refer to Notes 12 and 15 for the information on non-cash settlement transactions with companies within the Group during the year.

27 Subsequent Events

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

Independent auditor's report on pages 4 to 5.