Financial statements

Closed Joint Stock Company
Joint Stock Commercial Bank
National Clearing Centre

for the year ended 31 December 2012

with independent auditor's report

Ernst & Young

ERNST & YOUNG

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Ernst & Young

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Independent auditor's report

To the Shareholders of closed joint stock company joint stock commercial bank National Clearing Centre

We have audited the accompanying financial statements of closed joint stock company joint stock commercial bank National Clearing Centre (hereinafter - "CJSC JSCB NCC"), which comprise the statement of financial position as at 31 December 2012 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 2012, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these financial statements based on our audit.

We conducted our audit in accordance with the federal standards on auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CJSC JSCB NCC as at 31 December 2012, and its financial performance and cash flows for the year 2012 in accordance with International Financial Reporting Standards.

E.V. Zaichikova
Partner
Ernst & Young Vneshaudit CJSC
26 April 2013

Details of the audited entity

Name: CJSC JSCB NCC
Information about the State Register of Legal Entities Concerning a Legal Entity:
Certificate 77 # 010075586 dated 30 May 2006, issued by Interregional Inspection of Federal Tax Service in Moscow, Main State Registration Number 1067711004481.
Address: 125009, 13, Bolshoy Kislovsky per., Moscow, Russia.

Details of the auditor

Name: Ernst & Young Vneshaudit CJSC
Main State Registration Number 1027739199333.
Address: 115035, 77 b1. Sadovnicheskaya naberezhnaya, Moscow, Russia.
Ernst & Young Vneshaudit is a member of Non Profit partnership "Russian Audit Chamber" ("NP APR").
Ernst & Young Vneshaudit is registered in the register of auditors and audit organizations of NP APR, number 3027, and also included in the control copy of the register of auditors and audit organizations, main registration number 10301017410.

CJSC JSCB National Clearing Centre

Statement of comprehensive income for the year ended 31 December 2012

	Notes	2012 (RUB '000)	2011 (RUB '000)
Interest income	5	4 127 521	2 761 515
Interest expense	5	(258 764)	(328 146)
Net interest income		**3 868 757**	**2 433 369**
Fee and commission income	6	2 555 170	943 702
Net loss from financial assets at fair value	7	(680 400)	(294 357)
Net (loss) gain on foreign exchange operations	8	(40 538)	35 870
Other income		13 350	5 596
Operating income		**5 716 339**	**3 124 180**
Personnel expenses	9	(349 982)	(259 773)
Administrative and other operating expenses	10	(921 569)	(463 865)
Profit before tax		**4 444 788**	**2 400 542**
Income tax expense	11	(878 163)	(466 350)
Net profit		**3 566 625**	**1 934 192**
Other comprehensive income (loss)			
Revaluation of financial assets available-for-sale		(267 795)	(678 150)
Net losses on financial assets available-for-sale reclassified to profit or loss		680 400	295 187
Deferred income tax relating to components of other comprehensive (income) loss		(82 521)	76 593
Other comprehensive income (loss) after tax		**330 084**	**(306 370)**
Total comprehensive income		**3 896 709**	**1 627 822**

On behalf of the Management Board of the Bank

Chairman of the Management Board
Khavin Alexey Sergeevich

26 April 2013
Moscow

«Национальный Клиринговый Центр» (Закрытое акционерное общество) МОСКВА

Chief Accounting Officer
Gorina Marina Petrovna

26 April 2013
Moscow

Notes on pages 10-38 form an integral part of these financial statements

CJSC JSCB National Clearing Centre

Statement of financial position as at 31 December 2012

	Notes	2012 (RUB '000)	2011 (RUB '000)
ASSETS:			
Cash and cash equivalents	12	158 174 928	97 834 328
Mandatory cash balances with Central Bank of the Russian Federation		69 604	91 422
Due from banks and other financial institutions	13	4 103 613	2 163 558
Financial assets of central counterparty	14	2 817 546	1 769 470
Financial assets available-for-sale	15	43 598 888	29 607 940
Financial assets held-to-maturity	16	529 842	692 265
Property and equipment and intangible assets	17	42 202	23 868
Deferred tax assets	11	66 264	92 616
Current income tax assets		202 795	-
Other assets	18	46 476	164 496
TOTAL ASSETS		**209 652 158**	**132 439 963**
LIABILITIES			
Customer accounts	19	192 965 020	120 744 886
Financial liabilities of central counterparty	14	2 817 546	1 769 470
Current income tax liabilities		-	28 265
Other liabilities	20	289 325	214 709
Total liabilities		**196 071 891**	**122 757 330**
EQUITY			
Share capital	21	6 170 000	6 170 000
Paid-in capital		21 095	21 095
Investments revaluation reserve		(34 295)	(364 379)
Payments based on the shares of the parent company		925	-
Retained earnings		7 422 542	3 855 917
Total equity		**13 580 267**	**9 682 633**
TOTAL LIABILITIES AND EQUITY		**209 652 158**	**132 439 963**

Notes on pages 10-38 form an integral part of these financial statements

Statement of cash flows for the year ended 31 December 2012

	Notes	2012 (RUB '000)	2011 (RUB '000)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		4 444 788	2 400 542
Adjustments for:			
Change in interest accruals, net		(289 457)	(262 812)
Loss from disposal of financial assets available-for-sale		680 400	295 187
Unrealized loss on foreign exchange operations		204 132	55 865
Other accrued income/(expenses)		169 887	(3 910)
Depreciation and amortization charge	10	5 987	5 671
Payments based on the shares of the parent company	9	925	-
Net change in fair value of financial assets and liabilities at fair value through profit or loss		-	(1 090)
Cash flows from operating activities before changes in operating assets and liabilities		**5 216 662**	**2 489 453**
Changes in operating assets and liabilities			
Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation		21 818	(66 206)
Net (increase)/decrease in due from banks and other financial institutions		(2 013 214)	1 042 120
Net decrease in financial assets at fair value through profit or loss		-	983 186
Net increase in financial assets of central counterparty		(1 048 076)	(1 208 981)
Net decrease/(increase) in other assets		(18 928)	(164 388)
Net increase in customer accounts		75 681 554	420 735
Net increase in financial liabilities of central counterparty		1 048 076	1 208 981
Net increase in other liabilities		31 895	162 909
Net cash flows from operating activities before income tax		78 919 787	4 867 809
Income tax paid		(1 165 392)	(437 095)
Net cash flows from operating activities		**77 754 395**	**4 430 714**
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Purchase of financial assets available-for-sale		(61 259 667)	(47 169 093)
Proceeds from sale of financial assets available-for-sale		46 441 774	28 227 169
Purchase of financial assets held-to-maturity		-	(13 668)
Proceeds from redemption of financial assets held-to-maturity		582 245	836 806
Purchase of property and equipment and intangible assets		(24 321)	(11 096)
Net cash flows used in investing activities		**(14 259 969)**	**(18 129 882)**

Notes on pages 10-38 form an integral part of these financial statements

Statement of cash flows for the year ended 31 December 2012 (continued)

	Notes	2012 (RUB '000)	2011 (RUB '000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of subordinated debt		-	(1 735 000)
Proceeds from issuance of ordinary shares	21	-	1 735 000
Net cash flows from financing activities		-	-
Effect of changes in foreign exchange rates on cash and cash equivalents		(3 153 826)	2 943 876
Net increase/(decrease) in cash and cash equivalents		**60 340 600**	**(10 755 292)**
Cash and cash equivalents, beginning of the year	12	**97 834 328**	**108 589 620**
Cash and cash equivalents, end of the year	12	**158 174 928**	**97 834 328**

Interest paid and received for the year ended 31 December 2012, amounted to RUB 234 056 thousand and RUB 3 813 356 thousand respectively.

Interest paid and received for the year ended 31 December 2011 amounted to RUB 366 054 thousand and RUB 2 536 611 thousand, respectively.

Statement of changes in equity

	Notes	Share capital (RUB '000)	Paid-in capital (RUB '000)	Investments revaluation reserve (RUB '000)	Payments based on the shares of the parent company (RUB '000)	Retained earnings (RUB '000)	Total equity (RUB '000)
31 December 2010		**4 435 000**	**21 095**	**(58 009)**	-	**1 921 725**	**6 319 811**
Comprehensive income for the period		-	-	(306 370)	-	1 934 192	1 627 822
Total comprehensive income for the period		-	-	**(306 370)**	-	**1 934 192**	**1 627 822**
Transactions with owners							
Issue of ordinary shares	21	1 735 000	-	-	-	-	1 735 000
Total transactions with owners		**1 735 000**	-	-	-	-	**1 735 000**
31 December 2011		**6 170 000**	**21 095**	**(364 379)**	-	**3 855 917**	**9 682 633**
Comprehensive income for the period		-	-	330 084	-	3 566 625	3 896 709
Total comprehensive income for the period		-	-	**330 084**	-	**3 566 625**	**3 896 709**
Transactions with owners							
Payments based on the shares of the parent company	9	-	-	-	925	-	925
Total transactions with owners		-	-	-	**925**	-	**925**
31 December 2012		**6 170 000**	**21 095**	**(34 295)**	**925**	**7 422 542**	**13 580 267**

Notes on pages 10-38 form an integral part of these financial statements

1. Organization

CJSC JSCB National Clearing Centre (the "Bank") is a joint-stock bank, which was incorporated in the Russian Federation in 2006. The Bank is regulated by the Central Bank of the Russian Federation ("Bank of Russia") and the Federal Service for Financial Markets and conducts its banking and clearing activities under general license No.3466 and license No.7540, respectively. The Bank specializes in providing clearing services for foreign exchange, securities and derivatives markets, including determination and measurement of liabilities of clearing participants, bringing these obligations to net and setting them in accordance with the legislation of the Russian Federation by acting as a central counterparty.

The registered office of the Bank is located at: 13, Bolshoy Kislovsky per., Moscow, 125009, Russian Federation.

The Bank is a member of Moscow Exchange Group established by merger of CJSC Moscow Interbank Currency Exchange and OJSC Russian Trading System Stock Exchange, accomplished in 2011. As at 31 December 2011 and 2012, 100% of the Bank's shares are held by OJSC Moscow Exchange MICEX-RTS ("Moscow Exchange").

The Bank had 121 employees as at 31 December 2012 (31 December 2011: 109 employees).

These financial statements were approved by the Bank's Management Board on 26 April 2013.

2. Basis of presentation

Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including all Interpretations originated by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in thousands of Russian rubles ("RUB thousand"). These financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value.

The Bank maintains its accounting records in accordance with Russian Accounting Standards ("RAS"). These financial statements have been prepared from the Bank's statutory accounting records and have been adjusted to conform to IFRS. The main adjustments include recognition of deferred taxes and financial assets and liabilities of central counterparty.

3. Significant accounting policies

Recognition of revenue

Fee and commission income

Fee and commission income is recognized when services are provided.

Interest income recognition

Interest income is recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period.

The effective interest rate is the rate used to discount estimated future cash payments or receipts to the net carrying amount of a financial asset.

3. Significant accounting policies (continued)

Recognition of revenue (continued)

Once a financial asset or a group of similar financial assets has been written down (partially written down) as a result of impairment, interest income is thereafter recognized by applying the interest rate used to discount future cash flows for the purpose of measuring the impairment loss.

Interest income on assets carried at fair value is presented within interest income.

Financial instruments

Financial assets and liabilities are recognized in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. The Bank recognizes regular purchases and disposals of financial assets and liabilities using settlement date accounting.

Financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of the financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"); 'held-to-maturity' ("HTM"); 'available-for-sale' ("AFS") and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is held for trading.

Financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is a part of a portfolio of identified financial assets that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not a designated and effective hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 24.

Investments held-to-maturity

Investments held-to-maturity are financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Investments held-to-maturity are measured at amortized cost using the effective interest method less any impairment.

If the Bank were to sell or reclassify more than an insignificant amount of investments held-to-maturity before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

3. **Significant accounting policies (continued)**

Financial assets (continued)

Listed bonds held by the Bank that are traded in an active market are classified as available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 24. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest income calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. If a financial asset is disposed of or is determined to be impaired, cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. Foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Accounts receivable

Accounts receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'accounts receivables'. Accounts receivable are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected.

For financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as refusal or evasion from payments of interest or principal;
- Default or delinquency in interests or principal payments; or
- It becoming probable that the debtor will enter bankruptcy or financial reorganization; or
- Disappearance of an active market for that financial asset as a result of financial difficulties.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When considered uncollectible, loans and receivables are written off against the allowance.

Derecognition of financial assets

A financial asset (or, where applicable a part of the financial asset or part of a group of similar financial assets) is derecognized where:

- Rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. Significant accounting policies (continued)

Financial assets (continued)

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer required that the Bank either (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to receive the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the Bank of Russia, unrestricted balances on correspondent and deposit accounts with banks with maturity up to one business day, and balances on the Bank's accounts on the organized securities markets ("OSM"). Amounts that are subject to restrictions on their availability, including minimum reserve deposits with the Bank of Russia, are not included in cash and cash equivalents.

Financial assets and liabilities of central counterparty

The Bank acts as a central counterparty in transactions foreign exchange, securities and derivatives markets. These transactions are only executed between the Bank and a clearing participant. Assets and liabilities on such deals that may be offset against a clearing participant are reported net in accordance with IAS 32 and are recognized in the statement of financial position at the net fair value based on daily settlement prices, except for repo transactions, which are measured at amortized cost.

Collateral provided by central counterparty

The Bank guarantees the settlement of certain traded contracts and applies a multi-level approach to securing such contracts. The key component of this approach is a daily determination of the overall risk per clearing participant (margin) that should be covered with cash collateral.

In addition to such daily security deposits, a clearing participant, being a member to the risk-covering fund, is obliged to make contributions to this fund as described in Note 19.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss (FVTPL) include liabilities of central counterparty. Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognized in profit or loss.

Other financial liabilities

Other financial liabilities, including customer accounts, other borrowed funds and other liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently recognized at amortized cost. Interest expense is recognized on an effective yield basis.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. **Significant accounting policies (continued)**

Property and equipment

Property and equipment is carried at historical cost less accumulated depreciation and impairment losses.

Useful lives of property and equipment

Depreciation is recognized so as to write off the cost or revalued amount of property and equipment less their residual value over their useful lives, using the straight-line method. The estimated useful lives, carrying amounts and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation rate used in 2012: 20% (2011: 20%).

Depreciation of assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Intangible assets

Intangible assets with finite useful lives are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. Estimated useful lives and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimates being accounted for on a prospective basis. Amortization rates used for intangibles assets in 2012 were 10%-33% (2011: 10%-33%).

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Taxation

Income tax expense comprises current and deferred tax.

Current income tax

Current tax expense is calculated based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current income tax liabilities are measured using statutory tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred income tax is recognized for all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences provided it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Tax assets and liabilities are not recognized if temporary differences arise from the initial recognition of other assets or liabilities in transactions that affect neither taxable nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. **Significant accounting policies (continued)**

Taxation (continued)

Current and deferred tax for the year

Current and deferred income taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Operating taxes

The Russian Federation also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expense in the statement of comprehensive income.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the Russian rubles at the appropriate spot rates prevailing at the reporting date. Transactions in currencies other than functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses from these translations are included in net gain on foreign exchange operations.

Exchange rate

The exchange rates used by the Bank in the preparation of the financial statements as at year-end are as follows:

	31 December 2012	31 December 2011
RUB/1 USD	30,3727	32,1961
RUB/1 EUR	40,2286	41,6714

Equity reserves

Reserves recorded in equity (other comprehensive income) at the Bank's statement of financial position include investment revaluation reserve which comprises changes in fair values of AFS financial assets.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and benefits of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

New standards and interpretations that have become effective

Amendments resulting from Improvements to the following standards did not have any impact on the accounting policies, financial position and performance of the Bank:

- IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*;
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopter*;
- IFRS 7 *Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements.*

3. Significant accounting policies (continued)

New standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations were not yet effective as at 31 December 2012, and, therefore, were not applied in preparing these financial statements. The below listing of standards, amendments and clarifications are those that the Bank reasonably expects to have an impact on its operations.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Bank will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted under other IFRS. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The adoption of IFRS 13 may have effect on the measurement of the Bank's assets and liabilities accounted for at fair value. Currently, the Bank evaluates possible effect of the adoption of IFRS 13 on its financial position and performance.

Amendment to IAS 19 Employee Benefits

The amendment to IAS 19 becomes effective for annual periods beginning on or after 1 January 2013. The amendment introduces major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, the amendment will limit the changes in net pension assets (liabilities) recognized in profit or loss to net interest income (expense) and service costs. The amendment will have no impact on the Bank's financial position or performance.

Amendment to IAS 1 Presentation of Financial Statements – Presentation of Other Comprehensive Income

The amendment changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss in the future (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Bank's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation.* These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments will have no impact on the Bank's financial position or performance. The amendments become effective for annual periods beginning on or after 1 January 2013.

3. Significant accounting policies (continued)

New standards and interpretations issued but not yet effective (continued)

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact on the Bank by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While many settlement systems are expected to meet the new criteria, some may not. As the impact of the adoption depends on the Bank's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.

The amendments are effective for annual periods beginning on or after 1 January 2014.

Improvements to IFRS

The amendments become effective for annual periods beginning on or after 1 January 2013. The following amendments will have no impact on the Bank:

IFRS 1 ***First-time Adoption of International Financial Reporting Standards*****:** This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 ***Presentation of Financial Statements*****:** This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the information for the previous reporting period.

IAS 16 ***Property, Plant and Equipment*****:** This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 ***Financial Instruments: Presentation*****:** This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 ***Interim Financial Reporting*****:** This amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

4. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Bank's accounting policies, Management should apply assumptions and estimates concerning carrying amounts of assets and liabilities that are not readily apparent from other source. Estimates and underlying assumptions are based on historical experience and other factors that are considered to be reasonable in certain circumstances. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the change affects only the respective period, and in future periods if the change affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

4. Critical judgments in applying accounting policies (continued)

Critical judgments in applying accounting policies (continued)

Financial assets held-to-maturity

The Management has reviewed the Bank's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and has confirmed the Bank's positive intention and ability to hold those assets to maturity. As at 31 December 2012, the carrying amount of held-to-maturity financial assets is RUB 529 842 thousand (31 December 2011: RUB 692 265 thousand). Details of these assets are set out in Note 16.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant influence in the amounts recognized in the financial statements.

Key sources of estimation uncertainty

Impairment of accounts receivable

The Bank regularly reviews its receivables to analyze them for impairment. The Bank's receivables impairment provisions are established to recognize incurred impairment losses in its portfolio of receivables. The Bank considers accounting estimates related to allowance for impairment of receivables a key source of estimation uncertainty because (a) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired receivables are based on recent performance experience, and (b) any significant difference between the Bank's estimated losses and actual losses would require the Bank to record provisions which could have a material impact on its financial statements in future periods.

The Bank uses its judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of actual data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of receivables. The Bank uses Management's judgment to adjust observable data for a group of receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of accounts receivable in the financial statements have been determined on the basis of existing economic conditions. As at 31 December 2012, the gross receivables totaled RUB 31 646 thousand (31 December 2011: RUB 158 418 thousand). Based on the impairment analysis, the Bank has not created an allowance for impairment of receivables as at 31 December 2012 and 2011.

Valuation of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

5. Interest income and expense

	2012	2011
Interest income on financial assets at fair value through profit or loss	-	**51 758**
Interest income on other financial assets		
Interest income on financial assets available-for-sale	3 023 514	1 813 070
Interest income on cash and cash equivalents	835 180	500 586
Interest income on due from banks and other financial institutions	236 344	248 098
Interest income on financial assets held-to-maturity	32 483	148 003
Total interest income on other financial assets	**4 127 521**	**2 709 757**
Total interest income	**4 127 521**	**2 761 515**
Interest expense		
Interest expense on term deposits	(258 764)	(184 093)
Interest expense on subordinated debt	-	(144 053)
Total interest expense	**(258 764)**	**(328 146)**

6. Fee and commission income

	2012	2011
Clearing services for securities market ("Main market" sector)	1 710 113	314 064
Clearing services for foreign exchange market	840 336	629 638
Clearing services for securities market ("Standard" sector) and derivatives market	4 721	-
Total fee and commission income	**2 555 170**	**943 702**

Clearing services for securities market ("Standard" sector) and derivatives market have been provided since December 2012. Clearing services for securities market ("Main market" sector) have been provided since November 2011.

7. Net loss from financial assets carried at fair value

	2012	2011
Net loss from financial assets available-for-sale	(680 400)	(295 187)
Net gains on financial assets at fair value through profit or loss	-	830
Total net loss from financial assets at fair value	**(680 400)**	**(294 357)**

8. Net (loss)/gain on foreign exchange operations

	2012	2011
Gains less losses from foreign exchange operations	163 594	91 734
Gains less losses from foreign currency translation	(204 132)	(55 864)
Total net (loss)/gain on foreign exchange operations	**(40 538)**	**35 870**

9. Personnel expenses

	2012	2011
Personnel expenses	306 006	240 029
Payroll taxes and charges	43 051	19 744
Payments based on the shares of the parent company	925	-
Total personnel expenses	**349 982**	**259 773**

10. Administrative and other operating expenses

	2012	2011
Information and technological services in securities market	358 709	84 791
Information and technological services in foreign exchange market	192 750	147 176
Taxes, other than income tax	138 121	52 171
Lease of property and equipment	90 517	81 355
Settlement and cash services and account servicing	58 281	26 341
Professional services	21 526	18 049
Communications	17 015	15 834
Maintenance of property and equipment and intangible assets	8 901	5 102
Depository services	6 822	3 189
Depreciation and amortization charge	5 987	5 671
Advertising costs	2 939	3 274
Intermediary services under brokerage and similar agreements	1 492	4 796
Other	18 509	16 116
Total administrative and other operating expenses	**921 569**	**463 865**

Expenses for information and technological services at foreign exchange and securities markets comprise the Bank's expenses paid to Moscow Exchange for services required by the Bank to perform clearing operations for the interbank foreign exchange and securities markets. Clearing services for securities market ("Main market" sector) have been provided since November 2011. Clearing services for securities market ("Standard" sector) and derivatives market have been provided since December 2012.

11. Income tax expense

	2012	2011
Current income tax expense		
Current income tax	934 332	463 742
Total current income tax expense	**934 332**	**463 742**
Deferred income tax (benefit) expense		
Deferred tax benefit – origination and reversal of temporary differences	26 352	(73 985)
Net of deferred tax recognized in other comprehensive income	(82 521)	76 593
Total deferred income tax (benefit) expense	**(56 169)**	**2 608**
Total income tax expense	**878 163**	**466 350**

The Bank calculates its income tax for the current period based on the tax accounts maintained and prepared in accordance with the requirements of the Russian tax legislation which may differ from IFRS.

Due to the fact that certain expenses are not recognized for taxation purposes, there arise particular permanent tax differences. A reconciliation of the income tax expense based on the statutory rate with actual income tax is as follows:

	2012	2011
Profit before income tax	**4 444 788**	**2 400 542**
Tax at the statutory tax rate (20%)	888 958	480 108
Tax effect of income taxed at rates other than the 20% rate	(27 778)	(18 684)
Tax effect of permanent differences	16 983	4 926
Income tax expense	**878 163**	**466 350**

Deferred taxes reflect net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2012 and 2011, relate mostly to different methods of income and expense recognition, as well as the difference between the accounting and tax base of certain assets.

Tax rate used to perform reconciliation between tax expense and accounting profit for the years ended 31 December 2012 and 2011, below is the corporate tax rate of 20% payable by corporate entities in the Russian Federation on taxable profits under the tax law in that jurisdiction.

11. Income tax expense (continued)

Tax effect from temporary differences as at 31 December 2012 and 2011, comprise

	Statement of financial position		Recognized in profit or loss	
	31 December 2012	31 December 2011	2012	2011
Effect of deductible temporary differences				
Financial assets available-for-sale	50 106	91 095	41 532	(2 186)
Other liabilities	19 343	1 237	18 106	39
Property and equipment and intangible assets	80	354	(274)	229
Other assets	171	-	171	(402)
Financial assets at fair value through profit or loss	-	-	-	(218)
Total effect of deductible temporary differences	**69 700**	**92 686**	**59 535**	**(2 538)**
Effect of taxable temporary differences				
Financial assets of central counterparty	(3 176)	-	(3 176)	-
Financial assets held-to-maturity	(10)	-	(10)	-
Other assets	-	(70)	70	(70)
Cash and cash equivalents	(250)	-	(250)	-
Total effect of taxable differences	**(3 436)**	**(70)**	**(3 366)**	**(70)**
Total deferred income tax benefit (expense)			**56 169**	**(2 608)**
Deferred tax assets	**66 264**	**92 616**		

Deferred income tax assets (liabilities)	2012	2011
As at 1 January – deferred tax assets	**92 616**	**18 631**
As at 1 January – deferred tax liabilities	-	-
Change in deferred income tax balances recognized other comprehensive income	(82 521)	76 593
Change in deferred income tax balances recognized in profit or loss	56 169	(2 608)
As at 31 December – deferred tax assets	**66 264**	**92 616**

12. Cash and cash equivalents

	2012	2011
Correspondent accounts with other banks	117 462 932	78 826 437
Accounts with OSM settlement centers	36 578 072	17 932 213
Balances with Bank of Russia	4 130 553	1 072 532
Cash on hand	3 291	3 070
Settlements on brokerage operations	80	76
Total cash and cash equivalents	**158 174 928**	**97 834 328**

12. Cash and cash equivalents (continued)

As at 31 December 2012, cash and cash equivalents include balances with three counterparties (31 December 2011: with four counterparties) in the amount of RUB 105 112 395 thousand (31 December 2011: RUB 89 659 362 thousand), which is a significant concentration.

13. Due from banks and other financial institutions

	2012	2011
Term deposits	3 520 727	1 624 597
Reverse repurchase agreements with financial institutions	582 886	538 961
Total due from banks	**4 103 613**	**2 163 558**

As at 31 December 2012, the fair value of bonds pledged under reverse repurchase agreements with financial institutions was RUB 643 843 thousand (31 December 2011: RUB 597 575 thousand).

14. Financial assets and liabilities of central counterparty

	2012	2011
Repo transactions	2 178 432	-
Currency transactions	639 114	1 769 470
Financial assets and liabilities of central counterparty	**2 817 546**	**1 769 470**

Assets from repo transactions represent amounts receivable under reverse repurchase agreements, and liabilities from repo transactions represent amounts payable under respective direct repurchase agreements entered by the Bank in its capacity of central counterparty with participants of securities market ("Standard market" sector) and derivatives market. Fair value of securities pledged as collateral under repo transactions is RUB 2 181 313 thousand (31 December 2011: Nil). NCC has been acting as central counterparty on securities market ("Standard" sector) and derivatives market since December 2012.

Financial assets and liabilities from currency transactions of central counterparty represent assets and liabilities for delivery of cash under term transactions entered by the Bank in its capacity of central counterparty on the foreign exchange market.

As at 31 December 2012, there was no allowance created for financial assets of central counterparty (31 December 2011: No allowance) and these financial assets were not overdue (31 December 2011: Not overdue).

15. Financial assets available-for-sale

	2012		2011	
	Coupon rate, %	Carrying amount	Coupon rate, %	Carrying amount
Bonds issued by Russian commercial banks	6.2% - 10%	19 639 778	6.5% - 10.3%	11 715 186
Bonds issued by Russian companies	5.7% - 9.8%	16 611 748	6.1% - 14.8%	10 965 151
Bonds issued by Russian Federation	7% - 8.1%	4 995 235	6% - 11.9%	2 781 657
Bonds issued by Vnesheconombank	3.3% - 6.9%	1 425 355	6.9%	1 190 903
Bonds issued by foreign commercial banks	-	682 220	-	1 467 775
Bonds issued by Russian local governments	7% - 9.8%	244 013	7% - 12.8%	1 486 710
Corporate shares		539		558
Total financial assets available-for-sale		**43 598 888**		**29 607 940**

16. Financial assets held-to-maturity

	2012		2011	
	Coupon rate, %	Carrying amount	Coupon rate, %	Carrying amount
Bonds issued by Russian companies	6.4% - 7.8%	529 842	6.4% - 7.6%	75 226
Bonds issued by Russian Federation	-	-	6.1% - 11.9%	444 241
Bonds issued by Russian constituencies and local governments	-	-	7.8% - 12.8%	172 798
Total financial assets held-to-maturity		**529 842**		**692 265**

In 2012, the Bank reclassified securities totaling RUB 472 963 thousand from financial assets available-for-sale to financial assets held-to-maturity due to change in intention.

17. Property and equipment and intangible assets

	Furniture and equipment	Intangible assets	Total
31 December 2010	**2 812**	**25 034**	**27 846**
Additions	809	10 287	11 096
31 December 2011	**3 621**	**35 321**	**38 942**
Additions	371	23 950	24 321
Disposals	(49)	(6 624)	(6 673)
31 December 2012	**3 943**	**52 647**	**56 590**
Accumulated depreciation			
31 December 2010	**1 456**	**7 947**	**9 403**
Charge for the period	716	4 955	5 671
31 December 2011	**2 172**	**12 902**	**15 074**
Charge for the period	827	5 160	5 987
Written off in disposal	(49)	(6 624)	(6 673)
31 December 2012	**2 950**	**11 438**	**14 388**
Net book value			
31 December 2011	**1 449**	**22 419**	**23 868**
31 December 2012	**993**	**41 209**	**42 202**

18. Other assets

	2012	2011
Other financial assets		
Receivables on transactions with securities	17 107	140 948
Receivables on services rendered and other operations	14 539	17 470
Total other financial assets	**31 646**	**158 418**
Other non-financial assets		
Taxes receivable other than income tax	8 388	706
Prepayments and other receivables	6 442	5 372
Total other non-financial assets	**14 830**	**6 078**
Total other assets	**46 476**	**164 496**

19. Customer accounts

	2012	2011
Accounts of market participants	142 538 791	117 714 323
Guarantee fund	34 258 124	-
Current accounts	10 766 247	151 961
Term deposits	3 539 795	2 382 996
Insurance fund	1 259 379	-
Risk-covering fund	602 684	495 606
Total customer accounts	**192 965 020**	**120 744 886**

The guarantee fund comprises contributions (initial or maintenance margin) placed with the Bank by participants of derivatives and securities ("Standard" sector) markets. The purpose of this fund is to ensure clearing operations on these markets and to cover risks arising from open positions of trade participants, including deals with market participants in which the Bank acts as a central counterparty. The Bank places guarantee fund amounts on current accounts and deposits with reliable banks, or invests them into highly liquid securities or short-term repo receivables. NCC has been acting as central counterparty on securities market ("Standard" sector) and derivatives market since December 2012.

Insurance fund represents contributions of FORTS and RTS Standard markets' participants placed with the Bank to provide trade participants with additional financial guarantees in case any trade participant defaults on its obligations. The Bank places insurance fund contributions on current accounts and deposits with reliable banks or invests them into highly liquid securities or short-term repo receivables.

The Risk-covering fund comprises contributions of the participants of Moscow Exchange foreign exchange market to cover market (exchange rate) risks arising from potential non-performance by clearing participants, who joined the Fund with respect to their obligations under transactions concluded on the foreign exchange market. All amounts contributed by the trade participants to the risk-covering fund are placed by the Bank with top-rated credit organizations. Amounts of the Fund may be used exclusively to cover the Bank's losses resulting from a default by unscrupulous clearing participants on its obligations on the foreign exchange market.

20. Other liabilities

	2012	2011
Other financial liabilities		
Payables to personnel	91 132	-
Payables on information and technological services	49 736	106 391
Unused vacations	3 847	2 130
Settlement of economic operations	1 997	1 743
Other	10 113	5 163
Total other financial liabilities	**156 825**	**115 427**
Other non-financial liabilities		
Taxes payable other than income tax	132 500	99 282
Total other liabilities	**289 325**	**214 709**

21. Share capital

As at 31 December 2012 and 2011, the Bank's share capital consisted of 6 170 000 issued and paid ordinary shares with the nominal value of RUB 1 thousand each.

Reconciliation of the number of shares outstanding as at 31 December 2012 and 31 December 2011 is presented in the table below:

	Number of ordinary shares
31 December 2010	**4 435 000**
Issue of ordinary shares	1 735 000
31 December 2011 and 2012	**6 170 000**

As at 31 December 2012 and 2011, paid-in capital in the amount of RUB 21 095 thousand represents the financial aid received by the Bank from the parent company, and is recognized at initial cost.

The Bank's reserves distributable between the shareholders are limited by the amounts disclosed in its statutory RAS accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the regulations of the Russian Federation, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve fund has been created in accordance with the Bank's Charter, that provide for the creation of a reserve for these purposes in the amount not less than 5% of the Bank's share capital reported in its RAS accounts. As at 31 December 2012, the reserve fund amounted to RUB 308 500 thousand (31 December 2011: RUB 221 750 thousand).

22. Commitments and contingencies

Operating lease commitments – Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases of premises, parking slots and cars are as follows:

	2012	2011
Less than 1 year	10 301	8 238

22. Commitments and contingencies (continued)

Legal proceedings – From time to time and in the normal course of business, claims against the Bank may be received from customers and counterparties. Management believes that no significant losses will be incurred by the Bank as a result of such complaints and accordingly no provisions have been made in these financial statements.

Taxation – Provisions of the Russian tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Russian tax authorities to make decisions based on their own arbitrary interpretations of these provisions. In practice, the Russian tax authorities often do not interpret the tax legislation in favor of the taxpayers, who have to resort to court proceedings to defend their position against the tax authorities. It should be noted that the Russian tax authorities can use the clarifications issued by the judicial bodies that have introduced the concepts of "unjustified tax benefit" and "primary commercial goal of transaction" and the criteria of "commercial purpose/substance of transaction".

The Management's interpretation of such legislation as applied to its operations and activity may be challenged by the relevant regional and federal authorities. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Such uncertainty could, in particular, be attributed to tax treatment of financial instruments and determination of market price of transactions.

The Bank's Management believes its interpretation of the relevant legislation is appropriate and that the tax positions of the Bank will be confirmed. Accordingly, at 31 December 2012 and 2011, reserves are not accrued.

Tax years remain open to normal audit by the tax authorities for three years. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates. Also, according to the clarification of the Russian Federation Constitutional Court, the statute of limitation for tax liabilities may be extended if a court determines that the taxpayer has obstructed or hindered a tax inspection.

Economic environment – The Bank's principal business activities are within the Russian Federation. Laws and regulations affecting businesses environment in the Russian Federation are subject to rapid changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

Operating environment – Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The stability of the growth of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. Furthermore, global economy tendencies affect Russian economy that brings uncertainty regarding its further economic growth.

The effect of above mentioned domestic and global economic factors on Bank's results and financial position cannot be currently estimated. The Management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

23. Transactions with related parties

(a) Control relationships

As at 31 December 2012 and 2011, the Bank is a wholly owned subsidiary of Moscow Exchange. As at 31 December 2011 and 2011, the entities controlled by the Russian Federation indirectly hold more than 50% of the Bank's shares (31 December 2010: 40%).

(b) Transactions with the members of the Supervisory Board and the Management Board

Compensations to directors and other key management personnel for 2012 amounted to RUB 65 528 thousand (2011: RUB 31 416 thousand).

(c) Transactions with related parties

The Bank considers government-related entities as related parties if Russian Federation has direct or indirect control and exercises significant influence over the entity. The Bank provides clearing, cash and settlement services to such entities, deposits funds with state banks and purchases bonds issued by the Russian Federation.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

24. Fair value of financial instruments

(c) Transactions with related parties (continued)

Except as detailed below, the Bank's Management considers that the fair value of financial assets and liabilities approximates their carrying value:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets held-to-maturity	529 842	529 249	692 265	693 279

The following table presents the analysis of financial instruments recorded at fair value after initial recognition by level of the fair value hierarchy. Each level reflects the possibility to determine the fair value based on market quotations:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on inputs (except for quotations determined for Level 1) observable, at the market for the asset or liability either directly or indirectly;
- Level 3: This category includes all instruments where the valuation technique includes inputs for the asset or liability not based on observable data (unobservable inputs).

Information on techniques applied by the Bank to measure fair value of financial instruments is as follows:

	2012		
	Level 1	Level 2	Total
Financial assets of central counterparty	639 114	-	639 114
Financial assets available-for-sale	40 884 248	2 714 640	43 598 888

	2011		
	Level 1	Level 2	Total
Financial assets of central counterparty	1 769 470	-	1 769 470
Financial assets available-for-sale	27 836 932	1 771 008	29 607 940

25. Capital management

The Bank manages its capital to ensure that it will be able to continue to operate as a going concern and keep the required balance between ensuring financial stability in any economic environment, minimizing expenses of the market players and ensuring the return to stakeholders at a high level.

The Bank's capital includes equity, additionally paid-in capital and retained earnings.

Issues related to the Bank's capital management are reviewed by the Supervisory Board. As part of this review, Supervisory Board in particular analyzes capital adequacy and risks associated with each class of capital. On the basis of recommendations of the Supervisory Board, the Bank adjusts its capital structure by dividend payments, additional issue of shares or repurchase of shares from active shareholders.

The Bank's general policy with respect the risks associated with capital management has not changed compared to 2011.

25. Capital management (continued)

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2012 and 31 December 2011, this minimum level was 10%. The Bank was in compliance with the statutory capital ratio during the years ended 31 December 2012 and 31 December 2011.

	2012	2011
Equity	13 501 400	9 999 913
Risk weighted assets	80 013 471	37 741 995
Capital adequacy ratio (H1)	**16.9%**	**26.5%**
Statutory ratio of capital adequacy	10%	10%

26. Risk management policies

Risk management is a material element of the Bank's activities and is exercised with respect to the following main risks inherent in its operations: credit, market, geographic, currency, liquidity, interest rate and operational risks. The main objective of financial risk management is to determine and assess the risk zones and exposure, develop risk management policies, create risk controls, including setting of limits and further ensuring compliance with the established limits.

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. The Bank's risk management policies are described below. Through the risk management framework, the Bank manages the following risks:

Credit risk

The Bank is exposed to credit risk, which is a risk that one party to the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Bank's key methods of credit risk management are as follows:

- continuous analysis of receivables, credit risk-bearing financial assets as well as financial position of counterparties;
- setting limits with respect to counterparties and credit risk-bearing financial assets;
- continuous monitoring of calculated indicators which characterize exposure to credit risk (credit risk indicators).

The Bank assesses credit risks using calculated indicators which characterize exposure to credit risk and based on professional judgment about the counterparty's financial position.

The Bank uses the following credit risk indicators:

- mandatory economic ratios established by the Bank of Russia for credit risk assessment;
- asset quality indicators developed in accordance with the Bank of Russia methodology for determining financial stability of credit institutions;
- the Bank's limits set with respect to counterparties and financial assets.

Credit risks are directly managed by the Assets Management Committee, Treasury and Risk Management Department. The limits with respect to counterparties and financial assets are approved by the Bank's Management Board. The list of acceptable assets approved by the Bank's Management Board is characterized by low credit risks and is limited to bonds issued by the Bank of Russia, bonds issued by the Russian Federation, bonds issued by the financially stable subjects of the Russian Federation and corporate bonds of issuers with high international credit ratings.

26. Risk management policies (continued)

Credit risk (continued)

The Bank acts as a clearing center and a central counterparty to all transactions entered into in the Moscow Exchange securities, money, foreign exchange and derivatives markets (31 December 2011: foreign exchange and securities markets ("Main market" sector)) and becomes a party to all transactions entered into by participants in various segments of the financial market; all net liabilities of market participants are calculated with respect to the Bank; the Bank is responsible for its obligations to participants regardless of whether or not other participants perform their obligations.

To avoid the risk of default of clearing participants on all partial depositing transactions, clearing participants must deposit margins and collateral in the form of cash or securities on a regular basis prior to or during trading in the amounts set by the Bank for each participant. The amount of margin is determined by the amount of the Bank's potential losses resulting from closure of the participant's open positions if the latter fails to perform its obligations.

Clearing participants of the foreign exchange market that meet certain requirements (including capital requirements) may become participants of the Risk-covering fund (the "Fund") which is formed from equal contributions by the Fund's participants. Based on the individual analysis, a limit is established for each participant of the Fund; within that limit, the participant may enter into transactions without preliminary depositing. The Risk-covering fund is intended to cover market (exchange rate) risks resulting from potential default of clearing participants, who joined the Fund with respect to their obligations under transactions entered into in the Moscow Exchange foreign exchange market.

Each clearing participant in the derivatives and securities ("Standard" sector) markets must contribute to the Insurance fund that is formed to provide additional financial guarantees to market participants in case a market participant fails to perform its obligations.

Maximum exposure to credit risk

The Bank's maximum exposure to credit risk is measured by the carrying value of assets exposed to credit risk and may vary significantly, depending on both individual risks inherent to certain assets and general market risks.

Credit risks are not significant for the Bank's activities as the Bank does not issue loans and guarantees, settlement documents of customers are executed only if such customers have cash on accounts with the Bank, and customer accounts and own funds denominated in Russian rubles are held only on accounts with banks with high credit ratings.

Financial assets are graded according to the current credit rating that has been issued by an internationally recognized rating agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB-. Financial assets which have ratings lower than BBB- are classed as speculative grade.

Cash and cash equivalents (Note 12) include accounts with OSM settlement centers, which include accounts with Non-Banking Credit Organization Closed Joint-stock Company National Settlement Depository ("NSD") for the total amount of RUB 36 578 072 thousand (31 December 2011: RUB 17 932 213 thousand). NSD has not been rated by the above-mentioned rating agencies, however the company was rated by Thomas Murray, which is a rating agency specializing in assigning ratings in the industry of accounting and custody of securities. As at 31 December 2012, NSD had AA- rating (31 December 2011: A+) which corresponds to the low risk level.

The following tables detail the credit ratings of financial assets held by the Bank as at 31 December 2012 and 2011:

	AA	A	BBB	<BBB-	Not rated	31 December 2012 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	427	63 067 019	58 230 686	-	36 873 505	**158 171 637**
Mandatory cash balances with Central Bank of the Russian Federation	-	-	69 604	-	-	**69 604**
Due from banks and other financial institutions	348 614	-	2 870 016	302 096	582 887	**4 103 613**
Financial assets of central counterparty	-	-	84 522	356 426	2 376 598	**2 817 546**
Financial assets available-for-sale	-	-	27 053 566	16 544 784	538	**43 598 888**
Financial assets held-to-maturity	-	-	93 210	436 632	-	**529 842**
Other financial assets	-	-	23 653	-	7 993	**31 646**

26. Risk management policies (continued)

Credit risk (continued)

	AAA	AA	A	BBB	<BBB-	Not rated	31 December 2011 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1 202	26 515 771	21 798 149	31 521 042	80	17 995 014	**97 831 258**
Mandatory cash balances with Central Bank of the Russian Federation	-	-	-	91 422	-	-	**91 422**
Due from banks	-	121 138	-	1 503 384	-	539 036	**2 163 558**
Financial assets of central counterparty	-	-	2 086	404 619	761 934	600 831	**1 769 470**
Financial assets available-for-sale	-	1 474 031	367	19 762 166	8 371 187	189	**29 607 940**
Financial assets held-to-maturity	-	56 436	-	571 880	63 949	-	**692 265**
Other financial assets	-	-	-	-	140 948	17 470	**158 418**

The Bank makes a decision to create an impairment allowance based on the analysis of financial position of its counterparties and maturities of financial assets.

As at 31 December 2012 and 2011, the Bank's assets did not include any overdue financial assets carried at amortized cost.

Geographical concentration

Geographical concentration of assets and liabilities is as follows:

	Russian Federation	OECD countries	Other	31 December 2012 Total
Financial assets				
Cash and cash equivalents	71 703 982	86 470 643	303	158 174 928
Mandatory cash balances with Central Bank of the Russian Federation	69 604	-	-	69 604
Due from banks and other financial institutions	3 172 113	348 614	582 886	4 103 613
Financial assets of central counterparty	2 817 546	-	-	2 817 546
Financial assets available-for-sale	42 916 129	539	682 220	43 598 888
Financial assets held-to-maturity	529 842	-	-	529 842
Other financial assets	31 646	-	-	31 646
Total financial assets	**121 240 862**	**86 819 796**	**1 265 409**	**209 326 067**
Financial liabilities				
Customer accounts	192 965 020	-	-	192 965 020
Financial liabilities of central counterparty	2 817 546	-	-	2 817 546
Other financial liabilities	156 825	-	-	156 825
Total financial liabilities	**195 939 391**	-	-	**195 939 391**

26. Risk management policies (continued)

Geographical concentration (continued)

	Russian Federation	OECD countries	Other	31 December 2011 Total
Financial assets				
Cash and cash equivalents	19 019 855	78 381 249	433 224	97 834 328
Mandatory cash balances with Central Bank of the Russian Federation	91 422	-	-	91 422
Due from banks	2 042 420	121 138	-	2 163 558
Financial assets of central counterparty	1 769 470	-	-	1 769 470
Financial assets available-for-sale	29 607 940	-	-	29 607 940
Financial assets held-to-maturity	692 265	-	-	692 265
Other financial assets	158 418	-	-	158 418
Total financial assets	**53 381 790**	**78 502 387**	**433 224**	**132 317 401**
Financial liabilities				
Customer accounts	120 744 886	-	-	120 744 886
Financial liabilities of central counterparty	1 769 470	-	-	1 769 470
Other financial liabilities	115 427	-	-	115 427
Total financial liabilities	**122 629 783**	-	-	**122 629 783**

Liquidity risk

Liquidity risk is the risk of encountering difficulty in raising funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk arises when maturities of assets and liabilities do not match. The Bank is exposed to the risk due to its daily calls on available cash resources for settlements of market participants.

Liquidity risk management includes developing day-to-day liquidity management techniques as well as assessing and monitoring liquidity risk.

The key methods and techniques of liquidity risk management are as follows:

- Building the optimal structure of assets which helps to maintain the target profitability of assets and equity while minimizing the risk of failure by the Bank to fulfill its obligations;
- Performing quantitative assessment of liquidity risk and using the system of liquidity risk indicators;
- Setting limits with respect to operations or counterparties, which are balanced according to the asset operations funding timelines;
- Establishing efficient mechanisms to support payment positions with respect to the Bank's correspondent accounts;
- Developing resource movement forecasts.

Forecasts are prepared with a breakdown by maturities or expected dates of asset disposal. Forecasts take into account potential untimely settlement of assets as well as potential need for their early disposal in order to support the payment positions with respect to the Bank's correspondent accounts.

The Bank maintains the required and sufficient amount of highly liquid assets: cash on hand, balances on correspondent accounts with the Bank of Russia and other credit institutions, government securities and other highly liquid debt securities. While managing liabilities, the Bank considers the possibility of raising interbank loans for day-to-day liquidity management and increasing equity through strategic liquidity management.

26. Risk management policies (continued)

Liquidity risk (continued)

The Bank assesses its liquidity risk exposure based on the following liquidity risk indicators:

- Mandatory liquidity ratios established by the Bank of Russia;
- Parameters of payment positions with respect to NOSTRO correspondent accounts;
- Liquidity indicators developed in accordance with Bank of Russia methodologies for determining financial sustainability of credit institutions and analyzing liquidity of credit institutions.

Current liquidity management is carried out by the Treasury Department, which deals in the money markets for current liquidity support and cash flows optimization. The Asset Management Committee and the Risk Management Department control the liquidity risk by analyzing the risk indicators; develop the strategy of asset operations; and manage medium and long term liquidity.

An analysis of liquidity risk is presented in the following table. The presentation below is based on information provided to the Bank's key management. As at 31 December 2012 and 2011, financial assets available-for-sale, which are included into the Bank of Russia's Lombard list are presented within the category "Up to 1 month".

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	31 December 2012 Total
Financial assets						
Cash and cash equivalents	158 174 928	-	-	-	-	158 174 928
Mandatory cash balances with Central Bank of the Russian Federation	-	-	-	-	69 604	69 604
Due from banks and other financial institutions	931 500	1 510 279	1 661 834	-	-	4 103 613
Financial assets of central counterparty	2 817 546	-	-	-	-	2 817 546
Financial assets available-for-sale	34 188 812	525 299	6 170 425	2 713 814	538	43 598 888
Financial assets held-to-maturity	-	89 379	440 463	-	-	529 842
Other financial assets	28 671	2 975	-	-	-	31 646
Total financial assets	**196 141 457**	**2 127 932**	**8 272 722**	**2 713 814**	**70 142**	**209 326 067**
Financial liabilities						
Customer accounts	190 201 760	5 025	2 758 235	-	-	192 965 020
Financial liabilities of central counterparty	2 817 546	-	-	-	-	2 817 546
Other financial liabilities	1 643	149 600	5 582	-	-	156 825
Total financial liabilities	**193 020 949**	**154 625**	**2 763 817**	**-**	**-**	**195 939 391**
Liquidity gap	**3 120 508**	**1 973 307**	**5 508 905**	**2 713 814**	**70 142**	
Cumulative liquidity gap	**3 120 508**	**5 093 815**	**10 602 720**	**13 316 534**	**13 386 676**	

26. Risk management policies (continued)

Liquidity risk (continued)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	31 December 2011 Total
Financial assets						
Cash and cash equivalents	97 834 328	-	-	-	-	97 834 328
Mandatory cash balances with Central Bank of the Russian Federation	-	-	-	-	91 422	91 422
Due from banks	660 099	1 503 459	-	-	-	2 163 558
Financial assets of central counterparty	1 769 470	-	-	-	-	1 769 470
Financial assets available-for-sale	25 701 854	760 631	2 493 270	651 627	558	29 607 940
Financial assets held-to-maturity	435 155	811	182 370	73 929	-	692 265
Other financial assets	158 418	-	-	-	-	158 418
Total financial assets	**126 559 324**	**2 264 901**	**2 675 640**	**725 556**	**91 980**	**132 317 401**
Financial liabilities						
Customer accounts	118 440 606	80 892	153 504	2 069 884	-	120 744 886
Financial liabilities of central counterparty	1 769 470	-	-	-	-	1 769 470
Other financial liabilities	109 252	-	6 175	-	-	115 427
Total financial liabilities	**120 319 328**	**80 892**	**159 679**	**2 069 884**	**-**	**122 629 783**
Liquidity gap	**6 239 996**	**2 184 009**	**2 515 961**	**(1 344 328)**	**91 980**	
Cumulative liquidity gap	**6 239 996**	**8 424 005**	**10 939 966**	**9 595 638**	**9 687 618**	

The following tables detail a contractual maturity analysis of the Bank's financial liabilities with fixed maturities. The tables present undiscounted cash flows of the Bank's financial liabilities based on the earliest date on which the Bank can be required to pay. The tables include both interest and principal cash flows. Contractual maturity is determined based on the earliest date on which the Bank may be required to pay.

	Up to 1 month	1 month to 3 months	3 months to 1 year	31 December 2012 Total
Financial liabilities				
Customer accounts	190 250 020	56 547	2 784 270	193 090 837
Financial liabilities of central counterparty	2 817 546	-	-	2 817 546
Other financial liabilities	1 643	149 600	5 582	156 825
Total financial liabilities	**193 069 209**	**206 147**	**2 789 852**	**196 065 208**

26. Risk management policies (continued)

Liquidity risk (continued)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	31 December 2011 Total
Financial liabilities					
Customer accounts	118 450 376	78 546	191 622	2 148 991	120 869 535
Financial liabilities of central counterparty	1 769 470	-	-	-	1 769 470
Other financial liabilities	115 427	-	-	-	115 427
Total financial liabilities	**120 335 273**	**78 546**	**191 622**	**2 148 991**	**122 754 432**

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Bank's income or the value of its portfolios of financial instruments.

The Bank's assets measured at fair value, and which are sensitive to changes in market interest rates consist of the portfolio of financial assets at fair value through profit or loss and financial assets available-for-sale.

Limits with respect to financial assets are approved by the Bank's Management Board. The list of acceptable assets with regard to investments in bonds, which is approved by the Bank's Supervisory Board, is limited to bonds issued by the Bank of Russia, bonds issued by the Russian Federation, bonds issued by subjects of the Russian Federation and corporate bonds of issuers with high international credit ratings.

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk Management Department monitors the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

As the majority of the Bank's financial instruments are fixed rate contracts, their contractual maturity dates are also their repricing dates.

The sensitivity analysis presented below has been performed based on the risk of interest rate fluctuations as at the reporting date. The estimation is based on the assumption that the interest rate will change by 150 bp (31 December 2011: 200 bp) which is in line with the Management's expectations with regard to a reasonably possible change in interest rates.

	2012		2011	
	Net profit	Equity	Net profit	Equity
150 bp rise in interest rates (31 December 2011: 200 bp)	-	(572 501)	-	(830 098)
150 bp fall in interest rates (31 December 2011: 200 bp)	-	582 861	-	889 183

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank is a specific participant of the foreign exchange market; as a central counterparty to the foreign exchange market, it participates in concluding transactions in a passive mode. The methods used to mitigate the Bank's currency risk include exchange rate limits with respect to foreign exchange trading, a system of trading limits, margin system (transaction assurance through preliminary depositing of cash by market participants), and assurance of open trading positions, "delivery versus payment" principle, and replacement of dishonest clearing participants by the Bank of Russia.

26. Risk management policies (continued)

Currency risk (continued)

While clearing transactions with foreign currencies, the Bank's market risks are mainly dependent on the volatility of currency pairs. Therefore, in order to manage market risk the Bank monitors the condition of the domestic and foreign currency markets and sets the limits of daily exchange rate fluctuations during trading in accordance with the market situation. Based on the set (and coordinated with the Bank of Russia) limits on cross-rate fluctuations for each currency pair and each instrument, the Bank calculates the margin requirement, i.e. the amount of cash as a percentage of the planned volume of transactions to be transferred by the participants to enable them to enter into transactions during trading. The Management Board of the Bank, as agreed with the Bank of Russia, sets parameters of the Moscow Exchange foreign exchange market, which determine exchange rate limits for trading instruments and margin requirements.

Another mechanism for mitigating the Bank's exposure to market risk arising from non-performance by participants of their obligations on the results of clearing is an additional trading session with the Bank of Russia which allows for eliminating a participant's failure to deliver as it occurs.

The Bank's exposure to currency risk is as follows:

	RUB	USD	EUR	Other currencies	31 December 2012 Total
Financial assets					
Cash and cash equivalents	51 611 998	49 512 121	56 757 970	292 839	158 174 928
Mandatory cash balances with Central Bank of the Russian Federation	69 604	-	-	-	69 604
Due from banks and other financial institutions	3 172 113	931 500	-	-	4 103 613
Financial assets of central counterparty	2 817 546	-	-	-	2 817 546
Financial assets available-for-sale	34 130 879	9 467 470	539	-	43 598 888
Financial assets held-to-maturity	529 842	-	-	-	529 842
Other financial assets	14 539	17 107	-	-	31 646
Total financial assets	**92 346 521**	**59 928 198**	**56 758 509**	**292 839**	**209 326 067**
Financial liabilities					
Customer accounts	76 091 815	59 821 906	56 758 522	292 777	192 965 020
Financial liabilities of central counterparty	2 817 546	-	-	-	2 817 546
Other financial liabilities	155 823	646	356	-	156 825
Total financial liabilities	**79 065 184**	**59 822 552**	**56 758 878**	**292 777**	**195 939 391**
Net position	**13 281 337**	**105 646**	**(369)**	**62**	

26. Risk management policies (continued)

Currency risk (continued)

	RUB	USD	EUR	Other currencies	31 December 2011 Total
Financial assets					
Cash and cash equivalents	19 014 319	66 304 598	12 077 853	437 558	97 834 328
Mandatory cash balances with Central Bank of the Russian Federation	91 422	-	-	-	91 422
Due from banks	1 503 384	660 174	-	-	2 163 558
Financial assets of central counterparty	1 769 470	-	-	-	1 769 470
Financial assets available-for-sale	22 720 633	6 042 151	845 156	-	29 607 940
Financial assets held-to-maturity	692 265	-	-	-	692 265
Other financial assets	17 470	140 948	-	-	158 418
Total financial assets	**45 808 963**	**73 147 871**	**12 923 009**	**437 558**	**132 317 401**
Financial liabilities					
Customer accounts	34 337 169	73 059 027	12 915 562	433 128	120 744 886
Financial liabilities of central counterparty	1 769 470	-	-	-	1 769 470
Other financial liabilities	115 409	18	-	-	115 427
Total financial liabilities	**36 222 048**	**73 059 045**	**12 915 562**	**433 128**	**122 629 783**
Net position	**9 586 915**	**88 826**	**7 447**	**4 430**	

Currency risk sensitivity

The following table details the Bank's sensitivity to a 10% increase and decrease in the Russian ruble exchange rate against relevant foreign currencies. 10% is the sensitivity rate used when reporting currency risk internally to the Bank's key management and represents Management's assessment of the reasonably possible change in foreign exchange rates.

	2012		2011	
	USD	**EUR**	**USD**	**EUR**
	10%	**10%**	**10%**	**10%**
10% ruble appreciation	(8 452)	30	(7 106)	(596)
10% ruble depreciation	8 452	(30)	7 106	596

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, thus the results should not be interpolated or extrapolated.

Sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the Bank's financial position may vary depending on changes in the market. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. In the event of sharp negative fluctuations in the securities market, Management actions could include selling investments, changing investment portfolio allocation, and taking other protective measures. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to significant fluctuations in equity.

26. Risk management policies (continued)

Currency risk (continued)

Other limitations of the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of future market changes that cannot be predicted with any certainty. Another assumption is that all interest rates move in an identical fashion.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. In case operational risks cannot be managed, such risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss of the Bank. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, use of reliable equipment and IT systems, well-tuned procedures for personnel training and procedures related to assessment and management of operational risks.

27. Subsequent events

Since January 2013 according to the change in taxation legislation of Russian Federation certain services provided by the Bank are exempt from value added tax. At the date of presentation of these financial statements, NCC cannot estimate the result of these changes.

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