



CJSC JSCB National Clearing Centre

Financial Statements

For the Year Ended December 31, 2011

Ernst & Young

 **ERNST & YOUNG**

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Independent auditors' report

To the Shareholders of the CJSC JSCB National Clearing Centre

We have audited the accompanying financial statements of the CJSC JSCB National Clearing Centre, which comprise which comprise the statement of financial position as at December 31, 2011, statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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, 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 the CJSC JSCB National Clearing Centre as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Vneshaudit

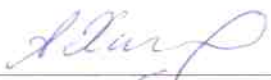
June 8, 2012

CJSC JSCB NATIONAL CLEARING CENTRE

Statement of Comprehensive Income for the Year Ended December 31, 2011

	Notes	2011 (RUB '000)	2010 (RUB '000)
Interest income	5	2 761 515	1 287 965
Interest expense	5	(328 146)	(227 456)
Net interest income before recovery of provision for impairment losses of interest-bearing assets		2 433 369	1 060 509
Recovery of provision for impairment losses on interest-bearing assets	6	-	6 839
Net interest income		2 433 369	1 067 348
Fee and commission income	7	943 702	537 924
Net loss from financial assets at fair value	8	(294 357)	(55 695)
Net gain on foreign exchange operations		35 870	506
Other income		5 596	831
Operating income		3 124 180	1 550 914
Personnel expenses	9	(259 773)	(151 716)
Administrative and other operating expenses	10	(463 865)	(321 532)
Profit before tax		2 400 542	1 077 666
Income tax expense	11	(466 350)	(203 104)
Net profit		1 934 192	874 562
Other comprehensive loss			
Revaluation of financial assets available-for-sale		(678 150)	(72 511)
Net losses on financial assets available-for-sale reclassified to profit or loss		295 187	-
Deferred income tax relating to components of other comprehensive income		76 593	14 502
Other comprehensive loss after tax		(306 370)	(58 009)
Total comprehensive income		1 627 822	816 553

On behalf of the Management Board of the Bank


Chairman of the Management Board
Khavin Alexey Sergeevich

June 8, 2012
Moscow




Chief Accounting Officer
Gorina Marina Petrovna

June 8, 2012
Moscow

CJSC JSCB NATIONAL CLEARING CENTRE

Statement of Financial Position as at December 31, 2011

	Notes	2011 (RUB '000)	2010 (RUB '000)
ASSETS			
Cash and cash equivalents	12	97 834 328	108 589 620
Mandatory cash balances with Central Bank of the Russian Federation		91 422	25 216
Financial assets at fair value through profit or loss	13	–	995 551
Due from banks	14	2 163 558	3 291 737
Financial assets of central counterparty	15	1 769 470	560 489
Financial assets available-for-sale	16	29 607 940	10 505 625
Financial assets held-to-maturity	17	692 265	1 564 752
Property and equipment and intangible assets	18	23 868	18 443
Deferred tax assets	11	92 616	18 631
Other assets	19	164 496	10 840
Total assets		132 439 963	125 580 904
LIABILITIES			
Customer accounts	20	120 744 886	116 864 609
Financial liabilities of central counterparty	15	1 769 470	560 489
Subordinated debt	21	–	1 776 545
Current income tax liabilities		28 265	1 618
Other liabilities	22	214 709	57 832
Total liabilities		122 757 330	119 261 093
EQUITY			
Share capital	23	6 170 000	4 435 000
Share premium		21 095	21 095
Investments revaluation reserve		(364 379)	(58 009)
Retained earnings		3 855 917	1 921 725
Total equity		9 682 633	6 319 811
Total liabilities and equity		132 439 963	125 580 904

Notes on pages 8-39 form an integral part of these financial statements.

CJSC JSCB NATIONAL CLEARING CENTRE

Statement of Cash Flows for the Year Ended December 31, 2011

	Notes	2011 (RUB '000)	2010 (RUB '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2 400 542	1 077 666
Adjustments for:			
Change in interest accruals, net		(262 812)	(104 200)
Loss on disposal of financial assets available-for-sale		295 187	–
Unrealized loss on foreign exchange operations		55 865	7 975
Depreciation and amortization charge	10	5 671	5 025
Other accrued (income) expenses		(3 910)	2 657
Net change in fair value of financial assets and liabilities at fair value through profit or loss		(1 090)	25 056
Recovery of provision for impairment losses on financial assets held-to-maturity		–	(6 839)
Cash flows from operating activities before changes in operating assets and liabilities		2 489 453	1 007 340
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(66 206)	(24 910)
Net decrease/(increase) in due from banks		1 042 120	(930 279)
Net decrease in financial assets at fair value through profit or loss		983 186	1 378 461
Net (increase) decrease in financial assets of central counterparty		(1 208 981)	1 081 416
Net (increase) decrease in other assets		(164 388)	446 956
Net decrease (increase) in customer accounts		420 735	(21 531 964)
Net decrease (increase) in financial liabilities of central counterparty		1 208 981	(1 081 416)
Net decrease (increase) in other liabilities		162 909	(2 849)
Net cash flows from (used in) operating activities before income tax		4 867 809	(19 657 245)
Income tax paid		(437 095)	(201 229)
Net cash flows from (used in) operating activities		4 430 714	(19 858 474)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of financial assets available-for-sale		(47 169 093)	(10 420 381)
Proceeds from sale of financial assets available-for-sale		28 227 169	–
Purchase of financial assets held-to-maturity		(13 668)	(102 039)
Proceeds from redemption of financial assets held-to-maturity		836 806	–
Purchase of property and equipment and intangible assets		(11 096)	(5 753)
Net cash flows used in investing activities		(18 129 882)	(10 528 173)

Notes on pages 8-39 form an integral part of these financial statements.

CJSC JSCB NATIONAL CLEARING CENTRE

Statement of Cash Flows for the Year Ended December 31, 2011 (continued)

	Notes	2011 (RUB '000)	2010 (RUB '000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of subordinated debt	21	(1 735 000)	–
Proceeds from issuance of ordinary shares	23	1 735 000	2 700 000
Net cash flows from financing activities		–	2 700 000
Effect of changes in foreign exchange rates on cash and cash equivalents		2 943 876	1 001 785
Net decrease in cash and cash equivalents		(10 755 292)	(26 684 862)
Cash and cash equivalents, beginning of the year	12	108 589 620	135 274 482
Cash and cash equivalents, end of the year	12	97 834 328	108 589 620

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

Interest paid and received during the year ended December 31, 2010, amounted to RUB 207 461 thousand and RUB 1 163 770 thousand, respectively.

CJSC JSCB NATIONAL CLEARING CENTRE

Statement of Changes in Equity for the Year Ended December 31, 2011

	Notes	Share capital (RUB '000)	Share premium (RUB '000)	Investments revaluation reserve (RUB '000)	Retained earnings (RUB '000)	Total equity (RUB '000)
December 31, 2009		1 735 000	21 095	–	1 047 163	2 803 258
Comprehensive income for the period		–	–	(58 009)	874 562	816 553
Total comprehensive income for the period		–	–	(58 009)	874 562	816 553
Transactions with owners						
Issue of ordinary shares	23	2 700 000	–	–	–	2 700 000
Total transactions with owners		2 700 000	–	–	–	2 700 000
December 31, 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	23	1 735 000	–	–	–	1 735 000
Total transactions with owners		1 735 000	–	–	–	1 735 000
December 31, 2011		6 170 000	21 095	(364 379)	3 855 917	9 682 633

Notes on pages 8-39 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 ("CBR") 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 and securities 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 MICEX-RTS Group established as a result of the merger of CJSC Moscow Interbank Currency Exchange and OJSC Russian Trading System Stock Exchange in 2011. As at December 31, 2011, 100% of the Bank's shares are held by MICEX-RTS (December 31, 2010: by CJSC Moscow Interbank Currency Exchange).

The Bank had 109 employees as at December 31, 2011 (December 31, 2010: 95 employees).

These financial statements were authorized for issue by the Bank's Management Board on June 8, 2012.

2. Basis of Presentation

Summary of 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.

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 26.

3. Significant Accounting Policies (continued)**Financial assets (continued)***Held-to-maturity investments*

Held-to-maturity investments 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. HTM investments 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 held-to-maturity investments 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.

Available-for-sale financial assets

Available-for-sale financial assets 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.

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 26. 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 receivables

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; or
- 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.

3. Significant Accounting Policies (continued)

Financial assets (continued)

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.

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 CBR, 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 CBR, are not included in cash and cash equivalents.

Financial assets and liabilities of central counterparty

The Bank acts as a central counterparty and guarantees settlement of currency exchange transactions and transactions on securities market. 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.

3. Significant Accounting Policies (continued)**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 20.

Financial liabilities

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

Classification as liabilities or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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.

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 2011: 20% (2010: 20%).

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

3. Significant Accounting Policies (continued)**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 2011 were 10%-33% (2010: 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.

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.

3. Significant Accounting Policies (continued)**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:

	December 31, 2011	December 31, 2010
RUB/1 USD	32.1961	30.4769
RUB/1 EUR	41.6714	40.3331

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 lease s 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.

Adoption of new standards and interpretations

The Bank has adopted the following amended IFRSs and new Interpretations during the year. The effects of these changes are as follows:

IAS 24 Related Party Disclosures (Revised)

The revised IAS 24, issued in November 2009 and effective for annual periods beginning on or after January 1, 2011, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. Transactions with related parties are disclosed according to the revised IAS 24 in Note 25.

3. Significant Accounting Policies (continued)**Improvements to IFRS**

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after January 1, 2011. There are separate transitional allowances for each standard. Amendments included in May 2010 "Improvements to IFRS" had an impact on the accounting policies, financial position or performance of the Bank, as described below:

- ▶ IFRS 7 *Financial Instruments: Disclosures* introduces additional disclosures to quantitative and credit risk information. Additional requirements had minor effect as the required information was readily available.
- ▶ Other amendments to IFRS 1, IFRS 3, IAS 1, IAS 27, IAS 32, IAS 34 and IFRIC Interpretations IFRIC 13, IFRIC 14 и IFRIC 19 will have no impact on the Bank's financial statements, position and performance.

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 December 31, 2011, and, therefore, were not applied in preparing these financial statements. Below is the listing of standards, amendments and clarifications that the Bank reasonably expects to have an impact on its operations.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009 and 2010, the IASB issued the first phase of IFRS 9 *Financial Instruments*. This Standard will eventually replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 becomes effective for annual reporting periods beginning on or after January 1, 2015. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial instruments. In particular, for subsequent measurement all financial assets are to be classified at amortized cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. For financial liabilities recognized through profit or loss using fair value option IFRS 9 requires the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability to be presented in other comprehensive income. The Bank now evaluates the impact of the adoption of this Standard and considers the initial application date.

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. The standard becomes effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Bank's assets and liabilities accounted for at fair value. The Bank now evaluates the impact of the adoption of IFRS 13 on its financial position and performance.

Amendments to IFRS 7 Financial Instruments: Disclosures

In October 2010, the IASB issued amendments to IFRS 7 which become effective for annual reporting periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the users of the Bank's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment introduces disclosure requirements for continuing participation in derecognized assets to enable the users of the financial statements to understand the nature of the entity's continuing participation in derecognized assets and evaluate the related risks. The amendment only introduces changes to disclosure requirements and has no impact on the Bank's financial position and performance.

3. Significant Accounting Policies (continued)

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

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

Amendment to IAS 1 becomes effective for annual reporting periods beginning on or after July 1, 2012. The amendment changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement of an asset) would be presented separately from items that will never be reclassified. The amendment changes presentation in the statement of comprehensive income but will have no impact on the Bank's financial position and performance.

Amendments to IAS 12 Income Taxes – Deferred Taxes: Recovery of Underlying Assets

In December 2010 the IASB issued amendments to IAS 12 effective for annual reporting periods beginning on or after January 1, 2012. The amendment clarifies the determination of deferred tax on investment property premeasured at fair value. The amendment introduces a rebuttable presumption that deferred tax relating to investment property measured at fair value in accordance with IAS 40 must be determined based on the assumption that its carrying amount will be recovered through sale. In addition, the amendment introduces a requirement according to which the deferred tax relating to non-depreciable assets measured using the revaluation model in accordance with IAS 16 should always be determined based on the assumption that their carrying amount will be recovered through sale. The Bank now evaluates the impact of the adoption of the amendment.

Amendment to IAS 19 Employee Benefits

Amendment to IAS 19 becomes effective for annual reporting periods beginning on or after January 1, 2013. The amendment introduces significant changes to the method of 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 limits changes in net pension assets (liabilities) recognized in profit or loss to net interest income (expense) and cost of services. The amendment will have no impact on the Bank's financial position and performance.

Amendment to IAS 32 Financial Instruments: Presentation (Guidance on Offsetting Financial Assets and Liabilities and Amendments to IFRS 7 Financial Instruments: Disclosures – Disclosures on Offsetting Financial Assets and Liabilities)

In December 2011, the IASB issued amendments to its current guidance in IAS 32 on offsetting financial assets and liabilities and has introduced new disclosure requirements in IFRS 7. The amendments to IFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and the amendments to IAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The amendments to IAS 32 now clarify that rights to set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default, bankruptcy or insolvency of all the counterparties to the contract. The amendments to IAS 32 also clarify that rights of set-off must not be contingent on a future event. The amendments to IAS 32 also clarify the offsetting criteria that the reporting entity is required to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IFRS 7 require the reporting entity to disclose information about rights of set-off and related arrangements for all recognized financial instruments that are set off in accordance with IAS 32. The Bank now evaluates the impact of the adoption of these amendments and considers the initial application date.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Bank's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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 revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, 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.

Held-to-maturity financial assets

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 December 31, 2011 the carrying amount of held-to-maturity financial assets is RUB 692 265 thousand (December 31, 2010: RUB 1 564 752 thousand). Details of these assets are set out in Note 17.

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 the most significant influence on the amounts recognized in the financial statements.

Impairment of receivables

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's Management uses its judgment to estimate the amount of any impairment loss in cases where a debtor has financial difficulties and there are few available sources of historical data relating to similar debtors. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating an adverse change in the payment status of debtors in a group, and 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's Management uses its judgment to adjust observable data for a group of receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. As at December 31, 2011, the gross receivables totalled RUB 158 418 thousand (December 31, 2010: RUB 1 533 thousand). Based on the impairment analysis, the Bank has not created an allowance for impairment of receivables as at December 31, 2011 and 2010.

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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

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 26.

5. Interest Income and Expense

	2011	2010
Interest income on financial assets at fair value through profit or loss	51 758	243 143
Interest income on other financial assets		
Interest income on financial assets available-for-sale	1 813 070	324 724
Interest income on cash and cash equivalents	500 586	260 783
Interest income on due from banks	248 098	258 250
Interest income on financial assets held-to-maturity	148 003	201 065
Total interest income on other financial assets	2 709 757	1 044 822
Total interest income	2 761 515	1 287 965
Interest expense		
Interest expense on subordinated debt	(144 053)	(164 825)
Interest expense on term deposits	(184 093)	(62 631)
Total interest expense	(328 146)	(227 456)

6. Allowance for Impairment Losses

Movements in the allowance for impairment of interest-bearing assets:

	2011	2010
Allowance for impairment losses		
Financial assets held-to-maturity	—	6 839

7. Fee and Commission Income

	2011	2010
Clearing services for foreign exchange market	629 638	537 924
Clearing services for securities market	314 064	–
Total fee and commission income	943 702	537 924

Clearing services for securities market have been provided since November 2011.

8. Net Loss from Financial Assets Carried at Fair Value

	2011	2010
Net gain (loss) from financial assets at fair value through profit or loss	830	(5 695)
Net loss from financial assets available-for-sale	(295 187)	–
Total net loss from financial assets carried at fair value	(294 357)	(55 695)

9. Personnel Expenses

	2011	2010
Personnel expenses	240 029	142 061
Payroll taxes and charges	19 744	9 655
Total personnel expenses	259 773	151 716

10. Administrative and Other Operating Expenses

	2011	2010
Information and technological services in foreign exchange market	147 176	134 778
Information and technological services in securities market	84 791	–
Operating lease	81 355	54 625
Taxes, other than income tax	52 171	41 464
Settlement and cash services and account servicing	19 155	18 620
Professional services	18 049	5 145
Communications	15 834	12 196
Advertising costs	12 728	3 123
Intermediary services under brokerage and similar agreements	11 982	22 825
Depreciation and amortization	5 671	5 025
Maintenance of property and equipment and intangible assets	5 102	3 711
Other	9 851	20 020
Total administrative and other operating expenses	463 865	321 532

Expenses for information and technological services at foreign exchange and securities markets comprise the Bank's expenses paid to MICEX-RTS (2010: MICEX) for services required by the Bank to perform clearing operations for the interbank foreign exchange and securities markets.

11. Income Tax Expense

	2011	2010
Current income tax expense		
Current income tax	463 742	216 167
Total current income tax expense	463 742	216 167
Deferred income tax expense (benefit)		
Deferred tax benefit — origination and reversal of temporary differences	(73 985)	(27 565)
Net of deferred tax recognized in other comprehensive income	76 593	14 502
Total deferred income tax expense (benefit)	2 608	(13 063)
Total income tax expense	466 350	203 104

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 and due to the existence of non-taxable income, there arise particular permanent tax differences. A reconciliation of income tax and accounting profit is as follows:

	2011	2010
Profit before income tax	2 400 542	1 077 666
Tax at the statutory rate (20%)	480 108	215 533
Tax effect of income taxed at rates other than the 20% rate	(18 684)	(6 967)
Tax effect of permanent differences	4 926	3 976
Income tax expense for prior periods	—	(9 438)
Income tax expense	466 350	203 104

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 December 31, 2011 and 2010, 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 for reconciliation between tax expense and accounting profit for the years ended December 31, 2011 and 2010, above is the corporate tax rate of 20% payable by corporate entities in the Russian Federation on taxable profits under the tax law of the Russian Federation.

11. Income Tax Expense (continued)

Tax effect from temporary differences as at December 31, 2011 and 2010 comprises:

	Statement of financial position		Recognized in profit or loss	
	December 31, 2011	December 31, 2010	2011	2010
Effect of deductible temporary differences				
Financial assets available-for-sale	91 095	16 688	(2 186)	2 186
Other liabilities	1 237	1 198	39	521
Property and equipment and intangible assets	354	125	229	41
Other assets	–	402	(402)	66
Financial assets at fair value through profit or loss	–	218	(218)	218
Total effect from deductible temporary differences	92 686	18 631	(2 538)	3 032
Effect of taxable temporary differences				
Other assets	(70)	–	(70)	–
Financial assets at fair value through profit or loss	–	–	–	8 510
Financial assets held-to-maturity	–	–	–	1 521
Total effect of taxable differences	(70)	–	(70)	10 031
Total deferred income tax expense (benefit)			(2 608)	13 063
Deferred tax assets	92 616	18 631		
Deferred income tax assets (liabilities)			2011	2010
As at January 1 – deferred tax assets			18 631	–
As at January 1 – deferred tax liabilities			–	(8 934)
Change in deferred income tax balances recognized other comprehensive income			76 593	14 502
Change in deferred income tax balances recognized in profit or loss			(2 608)	13 063
As at December 31 – deferred tax assets			92 616	18 631

12. Cash and Cash Equivalents

	2011	2010
Correspondent accounts with other banks	78 826 437	97 515 955
Accounts with OSM settlement centers	17 932 213	613 222
Balances with the CBR	1 072 532	7 262 285
Cash on hand	3 070	2 223
Current accounts on brokerage operations	76	386 641
Deposits with the CBR	–	2 800 386
Term deposits with other banks	–	8 908
Total cash and cash equivalents	97 834 328	108 589 620

As at December 31, 2011, cash and cash equivalents include balances with four counterparties (December 31, 2010: with three counterparties) totaling RUB 89 659 362 thousand (December 31, 2010: RUB 94 946 654 thousand), which represents a significant concentration.

13. Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss comprise financial investments held for trading:

	2011		2010	
	Coupon rate, %	Carrying value	Coupon rate, %	Carrying value
Bonds issued by Russian companies	–	–	5,87%-8,6%	995 551
Total financial assets at fair value through profit or loss		–		995 551

14. Due from Banks

	2011	2010
Term deposits	1 624 597	3 291 737
Reverse repurchase agreements with financial institutions	538 961	–
Total due from banks	2 163 558	3 291 737

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

15. Financial Assets and Liabilities of Central Counterparty

Financial assets and liabilities of central counterparty include claims and obligations for delivery of cash under term foreign currency transactions entered by the Bank in its capacity of central counterparty.

As at December 31, 2011, there was no allowance created for financial assets of central counterparty (December 31, 2010: Nil) and these financial assets were not overdue (December 31, 2010: Not overdue).

16. Financial Assets Available-for-Sale

	2011		2010	
	Coupon rate, %	Carrying value	Coupon rate, %	Carrying value
Bonds issued by Russian commercial banks	6,5%-10,3%	11 715 186	6,90%-13,5%	2 468 848
Bonds issued by Russian companies	6,1%-14,8%	10 965 151	5,87%-16,75%	4 395 728
Russian State Bonds	6%-11,9%	2 781 657	4,59%-6,10%	387 635
Bonds issued by other foreign commercial banks	0%	1 467 775	–	–
Bonds issued by Russian local governments	7,0%-12,8%	1 486 710	6,5%-13,25%	1 425 202
Bonds issued by Vnesheconombank	6,9%	1 190 903	1,48%	1 527 852
Corporate shares		558		540
Bonds securities issued by the CBR		–	0,0%	299 820
Total financial assets available-for-sale		29 607 940		10 505 625

As at December 31, 2011, financial assets available-for-sale in the amount of RUB 17 197 347 thousand were placed on designated depository account “Encumbered securities” intended for the purpose of collateralized lending from the CBR.

17. Financial Assets Held-to-Maturity

	2011		2010	
	Coupon rate, %	Carrying amount	Coupon rate, %	Carrying amount
Debt securities issued by the Russian government	6.1%-11.9%	444 241	7.95%-13.25%	596 221
Bonds issued by Russian constituencies and local governments	7.8%-12.8%	172 798	7.95%-13.25%	413 418
Other corporate debt securities issued by Russian companies	6.4%-7.6%	75 226	7%-16.75%	555 113
Total financial assets held-to-maturity		692 265		1 564 752

As at December 31, 2011, financial assets held-to-maturity in the amount of RUB 145 967 thousand were placed on designated depository account "Encumbered securities" intended for the purpose of collateralised lending from the CBR.

Movements in the allowance for impairment losses for the years ended December 31, 2011 and 2010 are disclosed in Note 6.

18. Property and Equipment and Intangible Assets

	Furniture and equipment	Intangible assets	Total
December 31, 2009	2 755	22 321	25 076
Additions	57	5 696	5 753
Disposals	–	(2 983)	(2 983)
December 31, 2010	2 812	25 034	27 846
Additions	809	10 287	11 096
December 31, 2011	3 621	35 321	38 942
Accumulated depreciation			
December 31, 2009	863	6 498	7 361
Charge for the period	593	4 432	5 025
Disposals	–	(2 983)	(2 983)
December 31, 2010	1 456	7 947	9 403
Charge for the period	716	4 955	5 671
December 31, 2011	2 172	12 902	15 074
Net book value			
December 31, 2010	1 356	17 087	18 443
December 31, 2011	1 449	22 419	23 868

19. Other Assets

	2011	2010
Other financial assets		
Receivables on transactions with securities	140 948	–
Receivables on services rendered and other operations	17 470	1 553
Total other financial assets	158 418	1 553
Other non-financial assets		
Capital investments	4 807	3 235
Taxes, other than income tax	706	2 586
Prepayments and other receivables	565	3 466
Total other non-financial assets	6 078	9 287
Total other assets	164 496	10 840

Receivables on transactions with securities were settled in January 2012.

20. Customer Accounts

	2011	2010
Accounts of market participants	117 714 323	113 972 495
Term deposits	2 382 996	2 355 457
Risk-covering fund	495 606	458 982
Current accounts	151 961	77 675
Total customer accounts	120 744 886	116 864 609

Risk-covering fund is formed by monetary contributions from clearing participants who transfer monetary funds to the Bank's special accounts as per Rules of trade operations and thus maintain minimum balances in the amounts not less than those set by the Bank for this purpose. All amounts contributed by the market participants to the risk-covering fund are held by the Bank with high quality financial institutions and may only be used to cover the Bank's losses arising as a result of non-performance of obligations by unscrupulous clearing participants.

21. Subordinated Debt

	2011	2010
Subordinated debt	–	1 776 545

As at December 31, 2010, subordinated debt included the loan received from the Parent (MICEX) with a contractual maturity at March 26, 2019 and 9.5% annual contractual interest rate. Subordinated debt was repaid in advance in November 2011. The Parent used the proceeds from repayment to increase the share capital of the Bank (Note 23).

22. Other Liabilities

	2011	2010
Other financial liabilities		
Payables on information and technological services	106 391	16 853
Unused vacations	2 130	6 040
Trade payables	1 743	3 175
Other	5 163	3 190
Total other financial liabilities	115 427	29 258
Other non-financial liabilities		
Taxes payable other than income tax	99 282	28 574
Total other liabilities	214 709	57 832

23. Share Capital

As at December 31, 2011 and 2010, the Bank's share capital consisted of 6 170 000 and 4 435 000 issued and fully paid ordinary shares with the nominal value of RUB 1 thousand each, respectively.

In 2011, the Bank repaid in advance the subordinated debt received in 2010 from the Parent (Note 21). The Parent (MICEX) used proceeds from repayment of the debt to increase the Bank's share capital.

Reconciliation of the number of shares outstanding as at December 31, 2011 and 2010 is presented in the table below:

	Number of ordinary shares
December 31, 2009	1 735 000
Issue of ordinary shares	2 700 000
December 31, 2010	4 435 000
Issue of ordinary shares	1 735 000
December 31, 2011	6 170 000

As at December 31, 2011 and 2010, share premium in the amount of RUB 21 095 thousand represents the difference between the amounts received over the nominal value of the issued shares.

The Bank's reserves distributable among shareholders are limited by the amounts of its reserves 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 December 31, 2011 and 2010, the reserve fund amounted to RUB 221 750 thousand.

24. 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:

	2011	2010
Less than 1 year	8 238	7 343

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 provision has 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 take 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. The 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 for transfer pricing purposes.

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, no provision was raised as at December 31, 2011 and 2010.

Generally, tax payers are subject to tax audit with respect to three calendar years preceding the year of audit. 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 beyond the three year term set forth in the tax legislation 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 future stability 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.

The Russian economy has been affected by the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Bank's financial position, results of operations and business prospects. Also, factors including reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Bank's counterparties and clients' ability to pay the amounts due to the Bank.

While Management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Bank's results and financial position in a manner not currently determinable.

25. Transactions with Related Parties

a) Control relationships

As at December 31, 2011, the Bank is a wholly owned subsidiary of MICEX-RTS (December 31, 2010: MICEX). As at December 31, 2011 the entities controlled by the Russian Federation indirectly hold more than 40% of the Bank's shares (December 31, 2010: 60%).

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

Compensations to directors and other key management personnel for 2011 amounted to RUB 31 416 thousand (2010: RUB 32 829 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.

In 2011, the Bank repaid in advance the subordinated debt in the amount of RUB 1 735 000 thousand provided by the Parent in 2010 (Note 21).

26. Fair Value of Financial Instruments

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.

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

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets held-to-maturity	692 265	693 279	1 564 752	1 756 320

The Bank measures fair values for financial instruments recorded on the statement of financial position at fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- 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 (i.e., as quotations) or indirectly (i.e., derived from quotations);
- 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).

The table below analyses financial instruments measured at fair value by the level in the fair value hierarchy into which the fair value measurement is categorised:

	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

	2010		
	Level 1	Level 2	Total
Financial assets at fair value through profit or loss	995 551	–	995 551
Financial assets of central counterparty	560 489	–	560 489
Financial assets available-for-sale	10 505 625	–	10 505 625

27. Capital Management

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

The Bank's capital structure consists of share capital, share premium and retained earnings.

Issues related to the Bank's capital management are reviewed by the Supervisory Board. As a part of this review, the Supervisory Board considers capital adequacy and the risks associated with each class of capital. Based on recommendations of the Supervisory Board, the Bank adjusts its capital structure through payment of dividends, additional issue of shares or repurchase of shares from shareholders.

The Bank's overall capital risk management policy has not changed compared to 2010.

Under the current capital requirements set by the CBR, banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at December 31, 2011 and 2010, this minimum level was 10%. The Bank was in compliance with the statutory capital ratio during the years ended December 31, 2011 and 2010.

	2011	2010
Equity	9 999 913	8 126 112
Risk weighted assets	37 741 995	32 877 225
Capital adequacy ratio (H1)	26.5%	24.7%
Minimum statutory ratio of capital adequacy	10%	10%

28. 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 the credit risk, which is a risk that the 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 and instruments as well as financial position of counterparties;
- Setting limits with respect to counterparties and credit risk-bearing financial assets and instruments;
- Continuous monitoring of calculated indicators which characterize exposure to credit risk (credit risk indicators).

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

28. Risk Management Policies (continued)**Credit risk (continued)**

The Bank uses the following credit risk indicators:

- Mandatory economic ratios established by the CBR for credit risk assessment;
- Asset quality indicators developed in accordance with the CBR methodology for determining financial stability of credit institutions;
- The Bank's limits set with respect to counterparties, financial assets and instruments.

The credit risk is directly managed by the Assets Management Committee, Treasury and Risk Management Department. The limits with respects to counterparties, financial assets and instruments are approved by the Bank's Management Board. The list of acceptable assets approved by the Management Board is characterized by low credit risks and is limited to the 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.

The Bank acts as a clearing centre and a central counterparty to all transactions entered into in the MICEX-RTS foreign exchange and securities markets ("Main Market" sector) and becomes a party to all transactions concluded 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 the Bank's clearing participants on their transactions, the terms of clearing require that clearing participants 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.

In addition to preliminary depositing of cash and collateral for current transactions, every clearing participant has to make a contribution to the risk-covering fund, which reduces the Bank's exposure to potential financial implications of a default or losses incurred by a clearing participant beyond the individual margin of such participant. The Risk-covering fund is intended to cover market (exchange rate) risks resulting from potential non-performance by clearing participants, who joined the fund with respect to their obligations under transactions concluded on the MICEX-RTS foreign exchange and securities markets ("Main market" sector).

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 economy 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 of market participants 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 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 17 932 213 thousand (December 31, 2010: RUB 613 222 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 December 31, 2011, NSD had A+ rating (December 31, 2010: AA-) which corresponds to the low credit risk level.

28. Risk Management Policies (continued)

Credit risk (continued)

The following tables detail the credit ratings of financial assets held by the Bank as at December 31, 2011 and 2010:

	AAA	AA	A	BBB	<BBB-	Not rated	December 31, 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

	AAA	AA	A	BBB	<BBB-	Not rated	December 31, 2010 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	–	79 587 780	391 900	27 917 794	–	689 923	108 587 397
Mandatory cash balances with Central Bank of the Russian Federation	–	–	–	25 216	–	–	25 216
Financial assets at fair value through profit or loss	–	–	–	508 139	487 412	–	995 551
Due from banks	–	458 982	–	1 611 743	1 221 012	–	3 291 737
Financial assets of central counterparty	14 684	35 453	–	191 098	172 467	146 787	560 489
Financial assets available-for-sale	–	–	–	7 142 521	3 363 104	–	10 505 625
Financial assets held-to-maturity	–	–	–	1 179 639	385 113	–	1 564 752
Other financial assets	–	–	–	–	–	1 553	1 553

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

As at December 31, 2011 and 2010, the Bank's assets did not include any overdue financial assets carried at amortized cost.

28. Risk Management Policies (continued)

Geographical concentration

Geographical concentration of assets and liabilities is as follows:

	Russian Federation	OECD countries	Other	December 31, 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
December 31, 2010				
	Russian Federation	OECD countries	Other	Total
Financial assets				
Cash and cash equivalents	65 748 103	42 841 296	221	108 589 620
Mandatory cash balances with Central Bank of the Russian Federation	25 216	–	–	25 216
Financial assets at fair value through profit or loss	995 551	–	–	995 551
Due from banks	2 832 755	458 982	–	3 291 737
Financial assets of central counterparty	560 489	–	–	560 489
Financial assets available-for-sale	10 505 085	540	–	10 505 625
Financial assets held-to-maturity	1 564 752	–	–	1 564 752
Other financial assets	1 480	73	–	1 553
Total financial assets	82 233 431	43 300 891	221	125 534 543
Financial liabilities				
Customer accounts	116 864 609	–	–	116 864 609
Financial liabilities of central counterparty	560 489	–	–	560 489
Subordinated debt	1 776 545	–	–	1 776 545
Other financial liabilities	29 258	–	–	29 258
Total financial liabilities	119 230 901	–	–	119 230 901

28. Risk Management Policies (continued)**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 CBR 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.

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

- Mandatory liquidity ratios established by the CBR;
- Parameters of payment positions with respect to NOSTRO correspondent accounts;
- Liquidity indicators developed in accordance with CBR 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.

28. Risk Management Policies (continued)

Liquidity risk (continued)

An analysis of the liquidity risk is presented in the following table. The presentation below is based on information provided to the Bank's key management. As of December 31, 2011, financial assets available-for-sale, which are included into the CBR'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	December 31, 2011 Total
Financial assets						
Cash and cash equivalents	97 834 328	–	–	–	–	97 834 328
Mandatory cash balances with the Central Bank of the Russian Federation	36 120	1 941	3 684	49 677	–	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	126 595 444	2 266 842	2 679 324	775 233	558	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	6 276 116	2 185 950	2 519 645	(1 294 651)	558	–
Cumulative liquidity gap	6 276 116	8 462 066	10 981 711	9 687 060	9 687 618	–

28. 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	Over 5 years	Maturity undefined	December 31, 2010 Total
Financial assets							
Cash and cash equivalents	108 589 620	-	-	-	-	-	108 589 620
Mandatory cash balances with the Central Bank of the Russian Federation	4 296	1 057	14 205	5 658	-	-	25 216
Financial assets at fair value through profit or loss	995 551	-	-	-	-	-	995 551
Due from banks	2 070 773	-	1 220 964	-	-	-	3 291 737
Financial assets of central counterparty	560 489	-	-	-	-	-	560 489
Financial assets available- for-sale	10 505 085	-	-	-	-	540	10 505 625
Financial assets held-to-maturity	41 798	-	805 838	717 116	-	-	1 564 752
Other assets	1 553	-	-	-	-	-	1 553
Total financial assets	122 769 165	1 057	2 041 007	722 774	-	540	125 534 543
Financial liabilities							
Customer accounts	114 529 609	118 000	1 585 500	631 500	-	-	116 864 609
Financial liabilities of central counterparty	560 489	-	-	-	-	-	560 489
Subordinated debt	-	-	-	-	1 776 545	-	1 776 545
Other liabilities	29 258	-	-	-	-	-	29 258
Total financial liabilities	115 119 356	118 000	1 585 500	631 500	1 776 545	-	119 230 901
Liquidity gap	7 649 809	(116 943)	455 507	91 274	(1 776 545)	540	-
Cumulative liquidity gap	7 649 809	7 532 866	7 988 373	8 079 647	6 303 102	6 303 642	-

28. Risk Management Policies (continued)

Liquidity risk (continued)

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	1 year to 5 years	Over 5 years	December 31, 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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	December 31, 2010 Total
Financial liabilities						
Customer accounts	114 538 770	135 796	1 661 806	634 710	–	116 971 082
Financial liabilities of central counterparty	560 489	–	–	–	–	560 489
Subordinated debt	13 999	26 643	124 183	659 752	2 268 310	3 092 887
Other financial liabilities	29 258	–	–	–	–	29 258
Total financial liabilities	115 142 516	162 439	1 785 989	1 294 462	2 268 310	120 653 716

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 and financial instruments 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 CBR, bonds issued by the Russian Federation, bonds issued by subjects of the Russian Federation and corporate bonds of issuers with high international credit ratings.

28. Risk Management Policies (continued)

Interest rate risk (continued)

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 200 bp (December 31, 2010: 100 bp) which is in line with the Management's expectations with regard to a reasonably possible change in interest rates.

	2011		2010	
	Net profit	Equity	Net profit	Equity
200 bp rise in interest rates (December 31, 2010: 100 bp)	-	(830 098)	(22 786)	(161 313)
200 bp fall in interest rates (December 31, 2010: 100 bp)	-	889 183	23 443	165 681

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), assurance of open trading positions, "delivery versus payment" principle, and replacement of dishonest clearing participants by the CBR.

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 CBR) 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 conclude transactions during trading. The Management Board of the Bank, as agreed with CBR, sets parameters of the MICEX-RTS 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 CBR which allows for eliminating a participant's failure to deliver as it occurs.

28. Risk Management Policies (continued)

Currency risk (continued)

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

	RUB	USD	EUR	Other currencies	December 31, 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 the 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	9 586 915	88 826	7 447	4 430	–
Central counterparty operations before IAS 32 netting					
Assets	268 570 686	231 274 192	42 846 242	–	542 691 120
Liabilities	268 574 856	231 270 022	42 846 242	–	542 691 120
Net position	(4 170)	4 170	–	–	–
Total open position	9 582 745	92 996	7 447	4 430	–

28. Risk Management Policies (continued)

Currency risk (continued)

	RUB	USD	EUR	Other currencies	December 31, 2010 Total
Financial assets					
Cash and cash equivalents	11 064 757	76 361 988	21 086 173	76 702	108 589 620
Mandatory cash balances with the Central Bank of the Russian Federation	25 216	–	–	–	25 216
Financial assets at fair value through profit or loss	995 551	–	–	–	995 551
Due from banks	2 223 217	1 068 520	–	–	3 291 737
Financial assets of central counterparty	340	340 487	219 662	–	560 489
Financial assets available-for-sale	8 977 232	1 527 853	540	–	10 505 625
Financial assets held-to-maturity	1 564 752	–	–	–	1 564 752
Other financial assets	323	770	460	–	1 553
Total financial assets	24 851 388	79 299 618	21 306 835	76 702	125 534 543
Financial liabilities					
Customer accounts	16 782 947	78 935 335	21 069 869	76 458	116 864 609
Financial liabilities of central counterparty	553 289	7 200	–	–	560 489
Subordinated debt	1 776 545	–	–	–	1 776 545
Other financial liabilities	26 333	2 925	–	–	29 258
Total financial liabilities	19 139 114	78 945 460	21 069 869	76 458	119 230 901
Net	5 712 274	354 158	236 966	244	
Central counterparty operations before IAS 32 netting					
Assets	221 458 866	194 392 098	30 793 870	–	446 644 834
Liabilities	220 905 917	194 725 385	31 013 532	–	446 644 834
Net position	552 949	(333 287)	(219 662)	–	–
Total open position	6 265 223	20 871	17 304	244	–

28. Risk Management Policies (continued)

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.

	2011		2010	
	USD 10%	EUR 10%	USD 10%	EUR 10%
10% ruble appreciation	(7 106)	(596)	(28 333)	(18 957)
10% ruble depreciation	7 106	596	28 333	18 957

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.

The 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.

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.

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