OAO SEB Bank

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

31 December 2012

CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

In thousands of Russian Roubles	**Notes**	**31 December 2012**	**31 December 2011**
ASSETS			
Cash and cash equivalents	7	1 203 138	829 615
Mandatory cash balances with the Central Bank of the Russian Federation	7	92 197	99 718
Due from other banks	8	2 453 327	112 695
Loans and advances to customers	9	5 967 151	7 763 765
Other financial assets	10	6 770	11 296
Premises and equipment	11	153 248	161 109
Intangible assets	11	6 537	7 079
Other assets	12	11 221	15 313
TOTAL ASSETS		**9 893 589**	**9 000 590**
LIABILITIES			
Due to other banks	13	4 932 858	4 990 276
Customer accounts	14	2 008 874	1 156 835
Subordinated deposit	15	109 354	115 911
Other financial liabilities	16	56 180	3 190
Current income tax liability		2 390	2 745
Deferred income tax liability	22	6 880	5 454
Other liabilities	17	24 283	22 101
TOTAL LIABILITIES		**7 140 819**	**6 296 512**
EQUITY			
Share capital	18	2 523 327	2 523 327
Additional paid-in capital		251 766	251 766
Accumulated deficit		(22 323)	(71 015)
TOTAL EQUITY		**2 752 770**	**2 704 078**
TOTAL LIABILITIES AND EQUITY		**9 893 589**	**9 000 590**

Approved for issue and signed on behalf of the Executive Board on 26 April 2012.

K.P. Nikkola
Chairman of the Executive Board

I.P. Grishina
Chief Accountant

J. Krutinis
Deputy Chairman of the Executive Board
Chief Financial Officer

In thousands of Russian Roubles	**Notes**	**2012**	**2011**
Interest income	19	459 617	408 951
Interest expense	19	(236 263)	(197 175)
Net interest income		**223 354**	**211 776**
Recovery of provision/(loan provision charge)	9	4 959	(6 708)
Net interest income after provision for loan impairment		**228 313**	**205 068**
Fee and commission income	20	75 402	119 694
Fee and commission expense	20	(6 334)	(11 810)
Gains less losses from trading in foreign currencies		22 778	21 308
(Losses net of gains)/gains less losses from foreign exchange translation		(1 917)	521
Recovery of provision for credit related commitments		-	6 568
Other operating income		4 600	2 369
Administrative and other operating expenses	21	(255 281)	(248 832)
Profit before tax		**67 561**	**94 886**
Income tax expense	22	(18 869)	(26 493)
PROFIT FOR THE YEAR		**48 692**	**68 393**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**48 692**	**68 393**

In thousands of Russian Roubles	**Share capital**	**Additional paid-in capital**	**Accumulated deficit**	**Total equity**
Balance at 31 December 2010	**2 523 327**	**251 766**	**(139 408)**	**2 635 685**
Total comprehensive income for 2011	-	-	68 393	68 393
Balance at 31 December 2011	**2 523 327**	**251 766**	**(71 015)**	**2 704 078**
Total comprehensive income for 2012	-	-	48 692	48 692
Balance at 31 December 2012	**2 523 327**	**251 766**	**(22 323)**	**2 752 770**

In thousands of Russian Roubles	Notes	2012	2011
Cash flows from operating activities			
Interest received		482 548	368 781
Interest paid		(245 958)	(120 734)
Fees and commissions received		79 920	115 482
Fees and commissions paid		(6 334)	(11 810)
Gains less losses from trading in foreign currencies		22 778	21 308
Other operating income received		4 621	2 369
Staff costs paid		(141 017)	(127 502)
Administrative and other operating expenses paid		(92 039)	(94 122)
Income tax paid		(17 444)	(21 172)
Cash flows from operating activities before changes in operating assets and liabilities		**87 075**	**132 600**
Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation	7	7 521	(73 970)
Net (increase)/decrease in due from other banks		(2 344 785)	798 612
Net decrease/(increase) in loans and advances to customers		1 740 802	(3 771 230)
Net (increase)/decrease in other financial assets		(462)	7 037
Net decrease/(increase) in other assets		3 230	(8 662)
Net (decrease)/increase in due to other banks		(4 280)	3 613 823
Net increase/(decrease) in customer accounts		843 665	(691 895)
Net increase/(decrease) in other financial liabilities		51 722	(330 152)
Net decrease in other liabilities		(215)	(9 528)
Net cash from/(used in) operating activities		**384 273**	**(333 365)**
Cash flows from investing activities			
Acquisition of premises and equipment	11	(5 698)	(11 205)
Acquisition of intangible assets	11	(4 163)	(4 469)
Net cash used in investing activities		**(9 861)**	**(15 674)**
Cash flows from financing activities			
Interest expense on subordinated deposit		(1 656)	(1 401)
Net cash used in financing activities		**(1 656)**	**(1 401)**
Effect of exchange rate changes on cash and cash equivalents		**767**	**484**
Net increase/(decrease) in cash and cash equivalents		**373 523**	**(349 956)**
Cash and cash equivalents at the beginning of the year	7	829 615	1 179 571
Cash and cash equivalents at the end of the year	7	**1 203 138**	**829 615**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012 for OAO SEB Bank (the "Bank").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian legislation.

The Bank's immediate parent is Skandinaviska Enskilda Banken AB, Sweden (the "Parent") (2011: Skandinaviska Enskilda Banken AB, Sweden).

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under full banking licences issued by the Central Bank of the Russian Federation ("CBRF") since 20 September 2007 for performing banking transactions with roubles and foreign currencies and attracting individual deposits in roubles and foreign currencies. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of Individuals Insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments. The Bank also issues guarantees in favour of third parties by participating in risks on loans extended by Parent and provision of depositary services for international banks of SEB Group.

The Bank's development concept stipulates transition to provision of services exclusively to corporate clients of SEB Group in Russia, and, therefore, the Bank gradually stops issuing loans to Russian companies who are not SEB Group's clients as well as transactions with individuals.

Registered address and place of business. The Bank is registered and operates at the following address:

Ul. Mikhailova, 11, St Petersburg, Russian Federation,195009.

The Bank also has a representative office at Gasheka st., 7, Moscow, Russian Federation, 123056.

Presentation currency. These financial statements are presented in thousands of Russian roubles ("RR thousands"), unless otherwise stated.

2 Operating Environment of the Bank

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. It is also quite sensitive to fluctuations of oil and gas prices. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by banks operating in the Russian Federation (Note 25).

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period, and applied the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Refer to Note 4.

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

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within one business day. All short term interbank placements, beyond overnight placements, are included in due from other banks. Funds of restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

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

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

Receivables. Trade receivables are accrued when the Bank has performed its obligations under the contract and are carried at amortised cost.

Prepayments. Prepayments are recognised if the Bank has made prepayment under the contract on services which have not yet been provided, and recorded at cost.

3 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue, except technical delay (overdue less than 30 days);
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the fair value of collateral decreases below the carrying value of a related loan.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

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

3 Summary of Significant Accounting Policies (Continued)

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

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Credit related commitments. The Bank enters into credit related commitments, including undrawn credit lines and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet obligations to third parties and carry the same credit risk as loans. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at cost less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year.

3 Summary of Significant Accounting Policies (Continued)

Depreciation of premises and equipment Depreciation on items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Premises – 50 years;

Office and computer equipment - 5-6 years;

Leasehold improvements - over the term of the underlying lease.

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Bank's intangible assets are represented by computer software licenses and have definite useful life.

Acquired computer software licences are included in intangibles assets on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Computer software is amortised on a straight line basis over expected useful lives of 3 years.

Inventories. Inventories are carried at amortised cost.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost.

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

Promissory notes issued. Promissory notes issued are carried at amortised cost. If the Bank purchases its own promissory notes issued, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other operating income.

Subordinated deposits. Subordinated deposits are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, are carried at their fair value.

3 Summary of Significant Accounting Policies (Continued)

All derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss as gains less losses for the year arising from trading in foreign currency. The Bank does not apply hedge accounting.

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

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

Dividends payable. Dividends payable on shares in the Bank's custody are recognised on payment of dividends by the issuer to the Bank and recorded at amortised value.

3 Summary of Significant Accounting Policies (Continued)

Share capital. Non-redeemable ordinary shares with discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds arising from issue of shares.

Additional paid-in capital. Additional paid-in capital represents equity contributions from shareholders that do not increase share capital and do not give additional voting rights to the contributors. Additional paid-in capital is recorded as a movement in equity in the reporting period it is received or unconditionally receivable from the shareholders.

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

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

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

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Income from consulting services which are included in income from provision of consulting services to the Parent on organisation of direct lending to large Russian companies is recorded on an accrual basis by reference to completion of respective reports which are sent to the Parent in electronic format.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The Bank's functional and presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

Monetary assets and liabilities are translated into the Bank's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

3 Summary of Significant Accounting Policies (Continued)

At 31 December 2012, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 30.3727 and EURO 1 = RR 40.2286 (2011: USD 1 = RR 32.1961, EURO 1 = RR 41.6714).

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank.

Fiduciary assets. Assets held by the Bank in its own name, but on the account of third parties, are not reported in the statement of financial position. Commissions received from fiduciary activities are shown in fee and commission income.

Accounting for the effects of hyperinflation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29, Financial Reporting in Hyperinflationary Economies ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

As hyperinflation has ceased, transactions after 1 January 2003 are not subject to restatement in accordance with the provisions of IAS 29 except for assets acquired and liabilities incurred or accepted before the indicated date. For these balances, the amounts expressed in the measuring unit current at as 31 December 2002 are the basis for the carrying amounts in these financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index ("CPI"), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Amendments of the financial statements after issue. Any further changes to these financial statements require approval of the Bank's management who authorised these financial statements for issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts of assets and liabilities recognised in the financial statements within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 2 158 thousand (2011: RR 2 654 thousand), respectively.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 25.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 28.

5 Adoption of New or Revised Standards and Interpretations

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

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

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

6 New Accounting Pronouncements

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

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

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

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

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

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

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted.

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

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

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

6 New Accounting Pronouncements (Continued)

IFRS 13, Fair Value Measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

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

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

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

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

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

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

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

6 New Accounting Pronouncements (Continued)

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

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

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

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

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

7 Cash and cash equivalents

In thousands of Russian Roubles	2012	2011
Cash on hand	23 396	24 052
Cash balances with the CBRF (other than mandatory cash balances)	625 280	213 938
Correspondent accounts and overnight placements with other banks		
- Russian Federation	2 896	252 880
- other countries	536 466	337 455
Settlement accounts with trading systems	15 100	1 290
Total cash and cash equivalents	**1 203 138**	**829 615**

All correspondent accounts and settlement accounts in trading systems are current and not collateralised.

Credit quality of cash and cash equivalents balances may be summarised as follows at 31 December 2012 and 31 December 2011:

In thousands of Russian Roubles	2012	2011
Cash on hand	23 396	24 052
Cash balances with the Central Bank of the Russian Federation (other than mandatory cash balances)	625 280	213 938
Correspondent accounts and overnight placements with other banks		
- International banks of SEB Group	476 202	313 797
- Other international banks	60 264	23 658
- Russian banks	2 896	252 880
Other Russian financial institutions (accounts with trading systems)	15 100	1 290
Total cash and cash equivalents	**1 203 138**	**829 615**

Management believes that international banks of SEB Group have lower credit risk than other international banks, and other international banks, in their turn, have lower credit risk than Russian banks. The credit rating of SEB Group's banks is A+ as per Fitch Ratings (2011: A+). Other international banks include largest international banks with credit ratings above BBB according to the Fitch rating scale. The credit rating of Russian banks is BBB as per Fitch Ratings (2011: BBB).

Mandatory cash balances with the Central Bank of the Russian Federation are mandatory non-interest bearing deposits. As at 31 December 2012 carrying amount of mandatory cash balances with the Central Bank of the Russian Federation was equal to RR 92 197 thousand (2011: RR 99 718 thousand).

As at 31 December 2012 and 31 December 2011, the carrying amount of cash and cash equivalents approximates their fair value. Refer to Note 26.

Interest rate analysis of cash and cash equivalents is disclosed in Note 23. The information on related party balances is disclosed in Note 28.

8 Due from Other Banks

In thousands of Russian Roubles	2012	2011
Short-term placements with banks of SEB Group	1 250 880	-
Short-term placements with Russian banks	1 202 447	112 695
Total due from other banks	**2 453 327**	**112 695**

The current portfolio of due from other banks is an instrument of short-term investment of temporary available Bank's funds.

All due from other banks are current and not collaterised.

The credit rating of SEB Group's banks is A+ as per Fitch Ratings.

At 31 December 2012, due from other banks represents short-term placements with banks of SEB Group with A+ credit rating based on Fitch Ratings and with a leading Russian bank with BBB credit rating based on Fitch Ratings (2011: the total amount of due from other banks represents a short-term placement with a leading Russian bank with BBB credit rating based on Fitch Ratings). Management believes that the Bank does not have significant credit risk in relation to these placements as at 31 December 2012 and 31 December 2011, therefore no impairment provision was recognised.

As at 31 December 2012 and 31 December 2011, the carrying amount of due from other banks approximates their fair value, as amounts due from other banks are of a short-term nature. Refer to Note 26.

Interest rate analysis of due from other banks is disclosed in Note 23. The information on related party balances is disclosed in Note 28.

9 Loans and Advances to Customers

In thousands of Russian Roubles	2012	2011
Loans to large companies	5 260 183	7 052 707
Other loans:		
- Loans to medium companies	108 113	15 701
- Loans to small companies	379 345	405 510
- Mortgage loans to individuals	133 264	177 425
- Consumer loans to individuals	107 822	138 957
Less: Provision for loan impairment	(21 576)	(26 535)
Total loans and advances to customers	**5 967 151**	**7 763 765**

Loans to large companies include loans provided to Russian subsidiaries of SEB Group's clients 99% secured by the Parent's guarantee. Other loans to companies include loans to medium companies with annual revenues from Euro 10 000 thousand or equivalent of this amount in Russian roubles to Euro 50 000 thousand or equivalent of this amount in Russian roubles and amount of assets over Euro 10 000 thousand or equivalent of this amount in Russian roubles, loans to small companies with annual revenue of less than Euro 10 000 thousand or equivalent of this amount in Russian roubles or amount of assets less than Euro 10 000 thousand or equivalent of this amount in Russian roubles, mortgage loans to individuals and consumer loans to individuals.

9 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2012 are as follows:

In thousands of Russian Roubles	Loans to large companies	Other loans: Loans to medium companies	Other loans: Loans to small companies	Other loans: Mortgage loans to individuals	Other loans: Consumer loans to individuals	Total
Provision for loan impairment at 1 January 2012	**-**	**126**	**14 570**	**6 103**	**5 736**	**26 535**
Provision/(recovery of provision) for loan impairment during the year	142	(126)	(2 816)	(1 280)	(879)	**(4 959)**
Provision for loan impairment at 31 December 2012	**142**	**-**	**11 754**	**4 823**	**4 857**	**21 576**

Movements in the provision for loan impairment during 2011 are as follows:

In thousands of Russian Roubles	Other loans: Loans to medium companies	Other loans: Loans to small companies	Other loans: Mortgage loans to individuals	Other loans: Consumer loans to individuals	Total
Provision for loan impairment at 1 January 2011	**1 022**	**6 125**	**5 436**	**7 244**	**19 827**
Provision/(recovery of provision) for loan impairment during the year	(896)	8 445	667	(1 508)	**6 708**
Provision for loan impairment at 31 December 2011	**126**	**14 570**	**6 103**	**5 736**	**26 535**

9 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

	2012		2011	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Development (lease)	3 016 348	50.4	3 014 575	38.7
Energy	1 163 335	19.4	1 162 063	14.9
Manufacturing	1 020 471	17.0	2 616 652	33.6
Trade	303 708	5.1	486 857	6.2
Individuals	241 084	4.0	316 382	4.1
Other	243 779	4.1	193 771	2.5
Total loans and advances to customers (before impairment)	**5 988 725**	**100.0**	**7 790 300**	**100.0**

The Bank regularly analyses credit exposure to the largest group of related borrowers in terms of the total amount of loans issued for the purpose of compliance with CBRF requirements, according to which this amount should not exceed 25% of the Bank's equity calculated in compliance with Russian Accounting Regulations ("RAR"). At 31 December 2012, the total amount due to the Bank from the largest borrower was RR 3 016 348 thousand (2011: RR 3 014 575 thousand) which constituted 52.5% (2011: 38.7%) of the gross value of loans and advances to customers.

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2012 is as follows:

In thousands of Russian Roubles	**Loans to large companies**	**Other loans**				**Total**
		Loans to medium companies	**Loans to small companies**	**Mortgage loans to individuals**	**Consumer loans to individuals**	
Current and not impaired						
- Loans secured by the Parent's guarantees	5 245 961	108 113	327 533	-	-	**5 681 607**
- Loans not secured by the Parent's guarantees:						
- Group A	14 222	-	40 058	-	-	**54 280**
- Loans to individuals						
- Group 1	-	-	-	114 485	91 675	**206 160**
- Group 2	-	-	-	18 779	15 389	**34 168**
Total neither past due nor impaired	**5 260 183**	**108 113**	**367 591**	**133 264**	**107 064**	**5 976 215**
Individually impaired						
- more than 360 days overdue	-	-	11 754	-	758	**12 512**
Total individually impaired loans	**-**	**-**	**11 754**	**-**	**758**	**12 512**
Less: Provision for impairment	**(142)**	**-**	**(11 754)**	**(4 823)**	**(4 857)**	**(21 576)**
Total loans and advances to customers	**5 260 041**	**108 113**	**367 591**	**128 441**	**102 965**	**5 967 151**

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2011 is as follows:

In thousands of Russian Roubles	**Loans to large companies**	**Other loans**				**Total**
		Loans to medium companies	**Loans to small companies**	**Mortgage loans to individuals**	**Consumer loans to individuals**	
Current and not impaired						
- Loans secured by the Parent's guarantees	7 022 887	-	288 942	-	-	**7 311 829**
- Loans not secured by the Parent's guarantees:						
- Group A	29 820	15 701	104 037	-	-	**149 558**
- Loans to individuals						
- Group 1	-	-	-	168 371	127 979	**296 350**
- Group 2	-	-	-	9 054	10 169	**19 223**
Total neither past due nor impaired	**7 052 707**	**15 701**	**392 979**	**177 425**	**138 148**	**7 776 960**
Individually impaired						
- 91 to 180 days overdue	-	-	12 531	-	13	**12 544**
- more than 360 days overdue	-	-	-	-	796	**796**
Total individually impaired loans	**-**	**-**	**12 531**	**-**	**809**	**13 340**
Less: Provision for impairment	**-**	**(126)**	**(14 570)**	**(6 103)**	**(5 736)**	**(26 535)**
Total loans and advances to customers	**7 052 707**	**15 575**	**390 940**	**171 322**	**133 221**	**7 763 765**

9 Loans and Advances to Customers (Continued)

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Bank's policy is to classify each loan as 'current and not impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

Current and not impaired loans are loans not overdue as at the reporting date and for which there are no factors indicating the borrowers' inability to repay the debt to the Bank in full. Credit quality is analysed for current and not impaired loans based on borrowers' performance.

Group A includes loans to legal entities with a low level credit risk for which repayment of liabilities is expected within the period set in the loan agreement. Comprehensive analysis of the operating and business activities of the borrowers under this category and other data confirm that their activity is sustainable and there are no negative trends that may have an adverse effect on the financial stability of these borrowers in the future.

Group 1 includes loans to individuals with a low level of credit risk for which repayment of liabilities is expected within the period set in the loan agreement based on the borrowers' current income level.

Group 2 includes loans to individuals with moderate credit risk for which some negative factors, including a decrease in income and/or a loss of the source of income may sometimes cause delays in repayment under respective loan agreements.

The Bank does not apply the internal rating system while analysing credit quality of loans to individuals.

The primary factors that the Bank considers in determining whether the loan is impaired are its overdue status or existence of any signs that the borrowers may not be able to repay their debt to the Bank in full. When considering if a loan is impaired, the Bank also monitors the state of collateral and any claims to the borrower raised by the tax, law enforcement bodies and counterparties, as well as monitors the movements on accounts with the Bank. A loan is treated as impaired if the principal amount and interest payments exceed fair value of the security.

The amount reported as past due but not impaired are the whole balance of such loans, not only the individual instalments that are past due.

9 Loans and Advances to Customers (Continued)

Loans and advances to customers depending on the types of collateral as at 31 December 2012 are provided below:

In thousands of Russian Roubles	Loans to large companies	Other loans				Total
		Loans to medium companies	Loans to small companies	Mortgage loans to individuals	Consumer loans to individuals	
Unsecured loans	14 222	-	-	-	-	**14 222**
Loans guaranteed by the Parent	5 245 961	108 113	327 533	-	-	**5 681 607**
Loans collateralised by:						
- real estate	-	-	51 812	133 264	102 718	**287 794**
- other assets	-	-	-	-	5 102	**5 102**
Total loans and advances to customers	**5 260 183**	**108 113**	**379 345**	**133 264**	**107 820**	**5 988 725**

Loans and advances to customers depending on the types of collateral as at 31 December 2011 are provided below:

In thousands of Russian Roubles	Loans to large companies	Other loans				Total
		Loans to medium companies	Loans to small companies	Mortgage loans to individuals	Consumer loans to individuals	
Unsecured loans	29 820	-	-	-	81	**29 901**
Loans guaranteed by the Parent	7 022 887	-	290 075	-	-	**7 312 962**
Loans collateralised by:						
- real estate	-	9 426	54 083	177 425	130 440	**371 374**
- other assets	-	6 275	61 352	-	8 436	**76 063**
Total loans and advances to customers	**7 052 707**	**15 701**	**405 510**	**177 425**	**138 957**	**7 790 300**

Other assets mainly include equipment and receivables on loans to legal entities and cars for individuals. The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

9 Loans and Advances to Customers (Continued)

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral at 31 December 2012:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of Russian Roubles	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Loans to large companies	745 906	1 286 858	4 514 277	4 466 291
Loans to medium companies	108 113	205 774	-	-
Loans to small companies	259 276	600 152	120 069	120 000
Mortgage loans to individuals	133 264	295 250	-	-
Consumer loans to individuals	107 820	300 958	-	-
Total	**1 354 379**	**2 688 992**	**4 634 346**	**4 586 291**

The effect of collateral at 31 December 2011:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of Russian Roubles	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Loans to large companies	2 086 942	2 850 142	4 965 765	4 876 291
Loans to medium companies	15 701	170 621	-	-
Loans to small companies	405 510	562 720	-	-
Mortgage loans to individuals	177 425	532 407	-	-
Consumer loans to individuals	138 569	343 522	388	363
Total	**2 824 147**	**4 459 412**	**4 966 153**	**4 876 654**

9 Loans and Advances to Customers (Continued)

The fair value of collateral in respect of loans at 31 December 2012 was as follows:

In thousands of Russian Roubles	Loans to large companies	Other loans				Total
		Loans to medium companies	Loans to small companies	Mortgage loans to individuals	Consumer loans to individuals	
- the Parent's guarantees	5 753 149	205 774	576 000	-	-	**6 534 923**
- real estate	-	-	144 152	295 250	285 860	**725 262**
- other property	-	-	-	-	14 385	**14 385**
- other	-	-	-	-	713	**713**
Total	**5 753 149**	**205 774**	**720 152**	**295 250**	**300 958**	**7 275 283**

The fair value of collateral in respect of loans at 31 December 2011 was as follows:

In thousands of Russian Roubles	Loans to large companies	Other loans				Total
		Loans to medium companies	Loans to small companies	Mortgage loans to individuals	Consumer loans to individuals	
- the Parent's guarantees	7 726 433	-	468 392	-	-	**8 194 825**
- real estate	-	90 628	58 886	532 407	324 216	**1 006 137**
- other property	-	-	-	-	735	**735**
- other	-	79 993	35 442	-	18 934	**134 369**
Total	**7 726 433**	**170 621**	**562 720**	**532 407**	**343 885**	**9 336 066**

The fair value of collateral was estimated by the Bank's lending department on the basis of the Bank's internal methodologies that take into consideration expert valuation of market value based upon publicly available information with account for expected sales expenses and potential date of sale. The fair value of collateral is the amount which can be obtained by individuals who have title to these assets.

At 31 December 2012, the estimated fair value of loans and advances to customers was RR 6 001 662 thousand (2011: RR 7 800 715 thousand). Refer to Note 26.

Interest rate analysis of loans and advances to customers is disclosed in Note 23. The information on related party balances is disclosed in Note 28.

10 Other Financial Assets

In thousands of Russian Roubles	2012	2011
Receivables on commissions for financial guarantees	3 569	6 932
Receivables on commissions for custody services	2 786	3 654
Receivables on commissions for cash and settlement services	415	478
Receivables on rent of safety deposit boxes	-	223
Receivables on paid guarantees	-	5 285
Other	-	9
Less: Provision for impairment of other financial assets	-	(5 285)
Total other financial assets	**6 770**	**11 296**

At 31 December 2012 and 31 December 2011, other financial assets are short-term in nature.

Receivables on commissions for financial guarantees are due from the Parent. Receivables on commissions for custody services are due from international banks of SEB Group. The credit rating of SEB Group's banks is A+ as per Fitch Ratings.

In 2012 the Bank wrote off receivables on paid guarantees against the provision booked.

Movements in the provision for impairment of other financial assets during 2012 are as follows:

In thousands of Russian Roubles	Receivables on paid guarantees	Total
Provision for impairment of other financial assets at 1 January 2012	**5 285**	**5 285**
Amounts written off during the year as uncollectible	(5 285)	**(5 285)**
Provision for impairment of other financial assets at 31 December 2012	**-**	**-**

As at 31 December 2012 and 31 December 2011, all other financial assets, except for receivables on paid guarantees, are current and not collaterised.

The carrying value of each class of other financial assets approximates their fair value at 31 December 2012 and 31 December 2011. Refer to Note 26.

The information on related party balances is disclosed in Note 28.

11 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	Notes	Land and premises	Office and computer equipment	Total premises and equipment	Intangible assets	Total
Cost at 1 January 2011		172 544	67 154	**239 698**	40 555	**280 253**
Accumulated depreciation and amortisation		(38 659)	(36 358)	**(75 017)**	(26 809)	**(101 826)**
Carrying amount at 1 January 2011		**133 885**	**30 796**	**164 681**	**13 746**	**178 427**
Additions		253	10 952	**11 205**	4 469	**15 674**
Disposals		-	(9 343)	**(9 343)**	(15 341)	**(24 684)**
Depreciation and amortisation	21	(3 693)	(9 910)	**(13 603)**	(9 497)	**(23 100)**
Depreciation and amortisation on disposals		-	8 169	**8 169**	13 702	**21 871**
Carrying amount at 31 December 2011		**130 445**	**30 664**	**161 109**	**7 079**	**168 188**
Cost at 31 December 2011		172 797	68 763	**241 560**	29 683	**271 243**
Accumulated depreciation and amortisation		(42 352)	(38 099)	**(80 451)**	(22 604)	**(103 055)**
Carrying amount at 31 December 2011		**130 445**	**30 664**	**161 109**	**7 079**	**168 188**
Additions		1 901	3 797	**5 698**	4 163	**9 861**
Disposals		-	(1 563)	**(1 563)**	-	**(1 563)**
Depreciation and amortisation	21	(3 732)	(9 540)	**(13 272)**	(4 705)	**(17 977)**
Depreciation and amortisation on disposals		-	1 276	**1 276**	-	**1 276**
Carrying amount at 31 December 2012		**128 614**	**24 634**	**153 248**	**6 537**	**159 785**
Cost at 31 December 2012		174 698	70 997	245 695	33 846	279 541
Accumulated depreciation and amortisation		(46 084)	(46 363)	(92 447)	(27 309)	(119 756)

12 Other Assets

In thousands of Russian Roubles	2012	2011
Advances to suppliers and contractors	8 134	12 739
Deferred expenses on software maintenance	1 387	-
Deferred insurance expenses	646	473
Prepaid taxes other than income tax	37	46
Other	1 017	-
Inventories	-	2 055
Total other assets	**11 221**	**15 313**

13 Due to Other Banks

In thousands of Russian Roubles	2012	2011
Placements of other banks	4 918 705	4 973 387
Correspondent accounts of other banks	14 153	16 889
Total due to other banks	**4 932 858**	**4 990 276**

As at 31 December 2012 and 31 December 2011, due to other banks include deposits placed by the Bank's Parent in Russian roubles, US dollars and euros with maturity dates from January 2013 to January 2016 (2011: from February 2012 to December 2015) and interest rates from 0.7% to 8.8% p.a. (2011: from 0.8% to 8.2% p.a.).

At 31 December 2012 and 31 December 2011, correspondent accounts of banks represent the funds of the Parent and international banks of SEB Group in Russian roubles.

At 31 December 2012, the estimated fair value of due to other banks was RR 4 931 949 thousand (2011: RR 4 971 035 thousand). Refer to Note 26.

Interest rate analysis of due to banks is disclosed in Note 23. The information on related party balances is disclosed in Note 28.

14 Customer Accounts

In thousands of Russian Roubles	2012	2011
Legal entities		
- Current accounts	971 042	643 228
- Term deposits	1 033 794	506 155
Individuals		
- Current accounts	2 746	3 366
- Term deposits	1 292	4 086
Total customer accounts	**2 008 874**	**1 156 835**

14 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

In thousands of Russian Roubles	2012 Amount	2012 %	2011 Amount	2011 %
Trade	562 712	28,0	185 502	16,0
Manufacturing	467 649	23,3	384 295	33,2
Real estate	461 880	23,0	66 057	5,7
Other	211 232	10,5	137 416	11,9
Finance lease	186 981	9,3	239 744	20,7
Construction	58 672	2,9	42 248	3,7
Consulting services	55 710	2,8	94 121	8,1
Individuals	4 038	0,2	7 452	0,6
Total customer accounts	**2 008 874**	**100,0**	**1 156 835**	**100,0**

The Bank reports to CB RF the amount of attracted deposits from 10 largest corporate customers of the Bank. At 31 December 2012, the aggregate balance of customer accounts of the 10 largest customers of the Bank was RR 1 540 872 thousand (2011: RR 805 610 thousand), or 76.7% (2011: 69.6%) of total customer accounts.

At 31 December 2012 and 31 December 2011, customer accounts are short-term in nature.

The carrying value of customer accounts approximates their fair value at 31 December 2012 and 31 December 2011. Refer to Note 26.

Interest rate analysis of customer accounts is disclosed in Note 23. The information on related party balances is disclosed in Note 28.

15 Subordinated Deposit

In thousands of Russian Roubles	2012	2011
Subordinated deposit	109 354	115 911
Total subordinated deposit	**109 354**	**115 911**

In 2007, the Bank attracted a subordinated deposit of USD 3 600 thousand from the Parent with maturity in April 2014. In 2009, this subordinated deposit was prolonged until April 2019. As at 31 December 2012, the carrying value of this subordinated deposit was USD 3 600 thousand, the equivalent of RR 109 342 thousand (2011: USD 3 600 thousand, the equivalent of RR 115 906 thousand). This subordinated deposit was attracted under a floating interest rate of LIBOR USD for three months + 1% p.a. with quarterly payment of interest.

The subordinated deposit ranks after all other creditors in case of liquidation.

As at 31 December 2012, the estimated fair value of the subordinated deposit was RR 88 240 thousand (2011: RR 87 932 thousand). Refer to Note 26.

Interest rate analysis of the subordinated deposit is disclosed in Note 23. The information on related party balances is disclosed in Note 28.

16 Other Financial Liabilities

In thousands of Russian Roubles	Notes	2012	2011
Dividends payable on shares in custody		46 190	-
Financial guarantees	25	7 099	1 713
Payables on other operating expenses		1 787	1 421
Commission for guarantees received		574	-
Settlements with currency and stock exchanges		441	-
Other		89	56
Total other financial liabilities		**56 180**	**3 190**

For transferred dividends of issuers whose shares are in the Bank's custody, the Bank acts as an agent on payment of dividends to ultimate shareholders of these issuers. The amount payable with regard to these payments as at 31 December 2012 was repaid by the Bank in January 2013.

The carrying value of each class of other financial liabilities approximates their fair value at 31 December 2012 and 31 December 2011. Refer to Note 26.

The information on related party balances is disclosed in Note 28.

17 Other Liabilities

In thousands of Russian Roubles	2012	2011
Provision for bonuses to employees	8 335	7 058
Payables on employee remuneration	7 397	6 590
Provision for unused annual vacations	5 721	5 408
Taxes payable other than on income	2 268	3 042
Other	562	3
Total other liabilities	**24 283**	**22 101**

18 Share Capital

In thousands of Russian roubles except for number of shares	Number of outstanding shares (in thousands)	Ordinary shares	Total
At 31 December 2010	**239 200**	**2 523 327**	**2 523 327**
At 31 December 2011	**239 200**	**2 523 327**	**2 523 327**
At 31 December 2012	**239 200**	**2 523 327**	**2 523 327**

As at 31 December 2012, the nominal registered amount of the Bank's issued share capital prior to the restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002 is RR 2 392 000 thousand (2011: RR 2 392 000 thousand). All of the Bank's outstanding shares were authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 10 per share (2011: RR 10 per share). Each share carries one vote.

19 Interest Income and Expense

In thousands of Russian Roubles	2012	2011
Interest income		
Loans and advances to customers	435 583	389 957
Due from other banks	23 501	17 645
Correspondent accounts with other banks	533	1 349
Total interest income	**459 617**	**408 951**
Interest expense		
Term placements of other banks	211 378	172 958
Term deposits of legal entities	19 638	8 213
Current/settlement accounts	3 577	4 312
Subordinated deposit	1 663	1 401
Promissory notes issued	5	5
Term deposits of individuals	2	10 286
Total interest expense	**236 263**	**197 175**
Net interest income	**223 354**	**211 776**

In 2012, interest income on individually impaired loans was RR 5 thousand (2011: RR 188 thousand).

The information on related party balances is disclosed in Note 28.

20 Fee and Commission Income and Expense

The Bank's fee and commission income and expense in respect of financial instruments not at fair value through profit or loss:

In thousands of Russian Roubles	**2012**	**2011**
Fee and commission income		
- Custody services	34 222	44 508
- Guarantees issued	18 934	49 219
- Settlement transactions	13 297	16 975
- Currency control	6 979	6 304
- Cash transactions	1 498	2 356
- Other	472	332
Total fee and commission income	**75 402**	**119 694**
Fee and commission expense		
- Custody services	3 439	4 353
- Settlement transactions	2 458	6 316
- Other	405	176
- Transactions with foreign currencies	32	83
- Credit or debit card transactions	-	882
Total fee and commission expense	**6 334**	**11 810**
Net fee and commission income	**69 068**	**107 884**

Fees and commission income on guarantees issued in 2012 and 2011 primarily include fees received by the Bank from the Parent under risk-participation agreements in relation to the borrowers of the Parent. The information on related party balances is disclosed in Note 28.

21 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Notes	2012	2011
Staff costs		143 414	131 617
Professional services		14 479	11 254
Rent		14 372	13 682
Other costs of premises and equipment		13 615	7 459
Taxes other than on income		13 456	12 957
Depreciation of premises and equipment	11	13 272	13 603
Software maintenance expenses		8 566	22 373
Amortisation of intangible assets	11	4 705	9 497
Business trip expenses		4 656	5 870
Security services		3 751	4 177
Telecommunication expenses		3 046	3 630
Transport expenses		1 437	2 301
Contributions to the State Deposit Insurance Agency		54	1 730
Other		16 458	8 682
Total administrative and other operating expenses		**255 281**	**248 832**

Included in staff costs are social security contributions of RR 19 077 thousand (2011: RR 14 353 thousand), of which RR 15 361 thousand (2011: RR 10 786 thousand) are pension contributions.

22 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Russian Roubles	2012	2011
Current tax charged to profit and loss	17 443	23 421
Deferred income tax charged to profit and loss	1 426	3 072
Income tax expense for the year	**18 869**	**26 493**

22 Income Taxes (Continued)

(b) Reconciliation between the tax expense and profit multiplied by applicable tax rate

The income tax rate applicable to the majority of the Bank's 2012 income is 20% (2011: 20%). A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Russian Roubles	2012	2011
Profit before tax	**67 561**	**94 886**
Theoretical tax charge at statutory rate (2012: 20%; 2011: 20%)	13 512	18 977
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempt from taxation	-	(288)
- Non-deductible expenses	5 357	7 804
Income tax charged to profit and loss	**18 869**	**26 493**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2011: 20%).

In thousands of Russian Roubles	31 December 2011	Credited/ (charged) to profit or loss	31 December 2012
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	(11 546)	(1 424)	(12 970)
Intangible assets	1 413	470	1 883
Provision for loan impairment	1 248	563	1 811
Provision for impairment of other financial assets	1 057	(1 057)	-
Other assets and liabilities	-	684	684
Net accrued expenses and income	2 374	(662)	1 712
Net deferred liability	**(5 454)**	**(1 426)**	**(6 880)**

22 Income Taxes (Continued)

In thousands of Russian Roubles	**31 December 2010**	**Credited/ (charged) to profit or loss**	**31 December 2011**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	(11 879)	333	(11 546)
Intangible assets	2 227	(814)	1 413
Provision for loan impairment	(794)	2 042	1 248
Provision for impairment of other financial assets	1 057	-	1 057
Provision for credit related commitments	1 314	(1 314)	-
Net accrued expenses and income	5 693	(3 319)	2 374
Net deferred liability	**(2 382)**	**(3 072)**	**(5 454)**

23 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks (credit, geographical and liquidity risks), operational risks and legal risks.

The key objective of financial risk management is to minimise the Bank's losses associated with these risks. This objective is achieved through setting limits and ensuring they are complied with. The operational and legal risk are managed by development of and compliance with internal regulations and procedures.

Credit risk. The Bank takes on exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the Bank by non-fulfilment, untimely or incomplete fulfilment of an obligation under a contract. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to the Bank's claims to the counterparties that are accompanied by credit risk.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 25.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and by setting limits on the basis of the loan portfolio structure by currency, types of borrowers and credit instruments. Credit limits for borrowers were approved by the Bank's Board of Directors.

Credit risks are monitored, and compliance with established limits is analysed, on a monthly basis, and the limits are subject to an annual or more frequent review.

Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees, insuring pledged property of corporates and individuals as well as by insuring life, health and working ability of individuals.

23 Financial Risk Management (Continued)

In order to monitor credit risk exposures, regular reports are produced by the Credit Department's officers based on a structured analysis focusing on the customer's business and financial performance. All information on significant exposures against customers with deteriorating creditworthiness is reported to and reviewed by the Bank's Credit Committees. The Bank uses formalised internal credit ratings to monitor exposures to credit risk. The Credit Department together with the Bank's Back Office perform ageing analysis of loans and follows up on overdue loans (if any).

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in currency and interest rate instruments, all of which are exposed to general and specific market movements. The Bank sets limits on the value of market risk that may be accepted. The use of this approach does not always prevent losses outside of these limits in the event of more significant market movements.

Currency Risk. The Bank set limits on the level of exposure by currency and in total for both overnight and intra-day positions in compliance with the CBRF requirements (the maximum open currency position in individual foreign currencies and precious metals is 10 percent of the Bank's statutory capital, the total of all open currency positions in individual foreign currencies and precious metals is 20 percent of the Bank's statutory capital). The control over compliance with the limits is exercised daily by responsible units of the Bank. Reports on compliance with the established limits on the level of currency risk accepted by the Bank are provided to the Bank's management and the heads of the Bank's departments. The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2012			**At 31 December 2011**		
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
Russian Roubles	8 175 990	5 553 911	2 622 079	7 652 587	5 083 795	2 568 792
US dollars	221 829	234 157	(12 328)	257 252	271 995	(14 743)
Euros	1 324 183	1 319 176	5 007	905 174	910 401	(5 227)
Other currencies	581	22	559	2 076	21	2 055
Total	**9 722 583**	**7 107 266**	**2 615 317**	**8 817 089**	**6 266 212**	**2 550 877**

The above analysis includes only monetary assets and liabilities. Non-monetary assets and liabilities are not considered to give rise to any material currency risk.

23 Financial Risk Management (Continued)

In 2012 and 2011, the Bank's open currency position in US dollars, euros and other currencies varied within the limits set by the CBRF.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates based on the management's assumptions, applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

In thousands of Russian Roubles	**At 31 December 2012**
Movements in USD exchange rate by +/- 20%	-/+ 2 466
Movements in EUR exchange rate by +/- 20%	+/- 1 001

In thousands of Russian Roubles	**At 31 December 2011**
Movements in USD exchange rate by +/- 20%	-/+ 2 949
Movements in EUR exchange rate by +/- 20%	-/+ 1 045

Movements in other currencies' exchange rates will have no material effect on the profit or loss of the Bank. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

The Bank's Board of Directors sets limits on the level of mismatch of the amount of interest-bearing assets and liabilities that may be undertaken. The Bank's responsible business units monitor compliance with the set limits on a regular basis.

Assessment of the Bank's exposure to interest rate risk is based upon gap analysis of financial instruments sensitive to changes in interest rate. These financial instruments are analysed by the earlier of contractual interest repricing or maturity dates. Changes in net interest income resulting from changes in the value of financial instruments sensitive to interest rate fluctuations at the date of their redemption or interest repricing determine the amount of interest rate risk exposure. Changes in the amount of net interest income depend upon net cumulative gap on financial instruments sensitive to changes in interest rate and possible changes in the interest rate at the end of the annual reporting period.

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

23 Financial Risk Management (Continued)

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total
31 December 2012					
Total financial assets	5 153 741	1 242 024	103 836	3 222 982	**9 722 583**
Total financial liabilities	3 137 072	984 867	135 463	2 849 864	**7 107 266**
Net interest sensitivity gap at 31 December 2012	**2 016 669**	**257 157**	**(31 627)**	**373 118**	**2 615 317**
31 December 2011					
Total financial assets	4 958 499	188 975	1 778 604	1 891 011	**8 817 089**
Total financial liabilities	2 910 945	1 189 789	729 336	1 436 142	**6 266 212**
Net interest sensitivity gap at 31 December 2011	**2 047 554**	**(1 000 814)**	**1 049 268**	**454 869**	**2 550 877**

Interest risk management is supplemented by sensitivity analysis of the Bank's profit and equity to expected movements in the interest rate. As a result of the analysis performed as at 31 December 2012, the Bank's management made a projection that on average, interest rates will not change more than by 200 basis points within 2013 (2011: 200 basis points within 2012).

23 Financial Risk Management (Continued)

The following table presents change in the Bank's cash flows within one year based on forecasted movements in interest rates, with all other variables held constant:

In thousands of Russian Roubles	**At 31 December 2012**
Increase in interest rates by 200 basis points	10 262
Decrease in interest rates by 200 basis points	(10 262)

In thousands of Russian Roubles	**At 31 December 2011**
Increase in interest rates by 200 basis points	(49 331)
Decrease in interest rates by 200 basis points	49 331

The interest rate sensitivity analysis did not take into consideration the balances of the customer's current accounts because the Bank's management does not expect any changes in interest rates on customer current accounts.

The table below summarises average weighted interest rates based on reports reviewed by the Bank's key management personnel:

	2012				**2011**			
% p.a.	**RR**	**USD**	**EUR**	**Other**	**RR**	**USD**	**EUR**	**Other**
Assets								
Correspondent accounts and overnight placements with other banks	1.7	0.2	0.1	0.8	4.0	0.1	0.6	1.4
Due from other banks	6.4	-	-	-	1.0	-	-	-
Loans and advances to customers	7.8	9.5	1.5	-	7.1	6.6	3.3	-
Liabilities								
Due to other banks	7.4	3.6	0.8	-	6.7	2.0	1.9	-
Customer accounts				-				-
- current and settlement accounts	1.3	0.1	0.2	-	1.1	-	0.1	-
- term deposits	3.7	0.1	0.1	-	3.1	0.1	0.1	-
Subordinated deposit	-	1.3	-	-	-	1.6	-	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency. Weighted interest rates on customer's current and settlement accounts were calculated only for interest-bearing accounts.

Geographical risk concentrations. All the Bank's significant assets and liabilities other than balances on transactions with the Parent bank and companies under common control from OECD countries, disclosed in Note 28, are balances with Russian counterparties.

23 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises when the maturity of assets and liabilities does not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental for the management of the Bank. Due to diversity of transactions performed and uncertainty associated with them, full matching of assets and liabilities by their maturity is not a common practice, which allows to increase profitability of transactions, but also increases the risk of losses. The current liquidity risk is managed by the Bank's Financial Markets Department. Limits on individual indicators reflecting the level of liquidity risk accepted by the Bank are set by the Chairman of the Management Board and by the Board of Directors.

The Bank seeks to maintain a stable funding base comprising primarily the funds of the parent bank and retail customer deposits and to maintain sufficient cash and cash equivalents in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the Bank of Russia. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 114.1% at 31 December 2012 (2011: 75.8%).

- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 190.6% at 31 December 2012 (2011: 96.3%).

- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 60.6% at 31 December 2012 (2011: 60.8%).

As at 31 December 2012, 31 December 2011 and within the reporting periods then ended, the liquidity ratios of the Bank complied with the statutory established level: N2 - at least 15%, N3 – at least 50%, N4 – not higher 120%.

The Financial Markets Division receives information about financial assets and liabilities on a daily basis and ensures availability of balances on correspondent accounts and sufficient liquidity within the Bank as a whole

The Financial Markets Division monitors daily liquidity position and conducts regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions.

The table below shows liabilities at 31 December 2012 by their remaining contractual maturity. The table shows contractual undiscounted cash flows, including total liabilities for loans received and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

23 Financial Risk Management (Continued)

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Financial assets						
Cash and cash equivalents	1 295 335	-	-	-	-	**1 295 335**
Due from other banks	2 460 456	-	-	-	-	**2 460 456**
Loans and advances to customers	70 214	40 094	2 722 322	3 705 038	236 877	**6 774 545**
Other financial assets	6 769	-	-	-	-	**6 769**
Total financial assets	**3 832 774**	**40 094**	**2 722 322**	**3 705 038**	**236 877**	**10 537 105**
Financial liabilities						
Due to other banks	132 167	22 585	2 158 624	3 213 736	-	**5 527 112**
Customer accounts	1 836 679	42 113	140 665	-	-	**2 019 457**
Subordinated deposit	-	358	1 094	7 265	109 795	**118 512**
Other financial liabilities (other than financial guarantees)	49 117	295	2 463	4 244	178	**56 297**
Total financial liabilities	**2 017 963**	**65 351**	**2 302 846**	**3 225 245**	**109 973**	**7 721 378**
Contingencies and commitments						
Guarantees issued	1 429 425	-	-	-	-	1 429 425
Irrevocable credit lines	100 000	-	-	-	-	100 000
Total potential future payments for financial and contingent liabilities	**3 547 388**	**65 351**	**2 302 846**	**3 225 245**	**109 973**	**9 250 803**

23 Financial Risk Management (Continued)

The following table presents similar analysis of the Bank's liquidity position as at 31 December 2011:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents	929 333	-	-	-	-	**929 333**
Due from other banks	112 778	-	-	-	-	**112 778**
Loans and advances to customers	84 003	62 647	5 597 803	3 321 110	297 836	**9 363 399**
Other financial assets	11 296	-	-	-	-	**11 296**
Total financial assets	**1 137 410**	**62 647**	**5 597 803**	**3 321 110**	**297 836**	**10 416 806**
Financial liabilities						
Due to other banks	123 524	148 406	2 455 653	3 609 534	-	**6 337 117**
Customer accounts	972 957	181 020	3 916	-	-	**1 157 893**
Subordinated deposit	-	463	930	7 429	120 187	**129 009**
Other financial liabilities (other than financial guarantees)	1 424	29	1 289	322	248	**3 312**
Total financial liabilities	**1 097 905**	**329 918**	**2 461 788**	**3 617 285**	**120 435**	**7 627 331**
Contingencies and commitments						
Guarantees issued	918 988	-	-	-	-	**918 988**
Irrevocable credit lines	100 000	-	-	-	-	**100 000**
Total potential future payments for financial and contingent liabilities	**2 116 893**	**329 918**	**2 461 788**	**3 617 285**	**120 435**	**8 646 319**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

Management believes that in spite of a substantial portion of customers accounts being on demand (customers current/settlement accounts), diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customers accounts provide a long-term and stable source of funding for the Bank.

23 Financial Risk Management (Continued)

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap as follows. As at 31 December 2012:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents	1 295 335	-	-	-	-	**1 295 335**
Due from other banks	2 453 327	-	-	-	-	**2 453 327**
Loans and advances to customers	61 648	27 893	2 427 336	3 291 252	159 023	**5 967 152**
Other financial assets	6 769	-	-	-	-	**6 769**
Total financial assets	**3 817 079**	**27 893**	**2 427 336**	**3 291 252**	**159 023**	**9 722 583**
Financial liabilities						
Due to other banks	131 813	-	1 915 372	2 885 673	-	**4 932 858**
Customer accounts	1 835 874	40 000	133 000	-	-	**2 008 874**
Subordinated deposit	-	12	-	-	109 342	**109 354**
Other financial liabilities (other than financial guarantees)	49 117	295	2 463	4 244	61	**56 180**
Total financial liabilities	**2 016 804**	**40 307**	**2 050 835**	**2 889 917**	**109 403**	**7 107 266**
Contingencies and commitments						
Guarantees issued	1 429 425	-	-	-	-	**1 429 425**
Irrevocable credit lines	100 000	-	-	-	-	**100 000**
Total potential future payments for financial and contingent liabilities	**3 546 229**	**40 307**	**2 050 835**	**2 889 917**	**109 403**	**8 636 691**

23 Financial Risk Management (Continued)

The maturity analysis of financial assets and liabilities at 31 December 2011 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents	929 333	-	-	-	-	**929 333**
Due from other banks	112 695	-	-	-	-	**112 695**
Loans and advances to customers	70 497	19 536	4 540 932	2 910 507	222 293	**7 763 765**
Other financial assets	11 296	-	-	-	-	**11 296**
Total financial assets	**1 123 821**	**19 536**	**4 540 932**	**2 910 507**	**222 293**	**8 817 089**
Financial liabilities						
Due to other banks	109 168	139 399	2 332 571	2 409 138	-	**4 990 276**
Customer accounts	972 762	180 015	4 058	-	-	**1 156 835**
Subordinated deposit	-	5	-	-	115 906	**115 911**
Other financial liabilities (other than financial guarantees)	1 424	29	1 289	322	126	**3 190**
Total financial liabilities	**1 083 354**	**319 448**	**2 337 918**	**2 409 460**	**116 032**	**6 266 212**
Contingencies and commitments						
Guarantees issued	918 988	-	-	-	-	**918 988**
Irrevocable credit lines	100 000	-	-	-	-	**100 000**
Total potential future payments for financial and contingent liabilities	**2 102 342**	**319 448**	**2 337 918**	**2 409 460**	**116 032**	**7 285 200**

24 Management of Capital

The Bank's objectives when managing capital are to comply with the capital requirements set by the Central Bank of the Russian Federation and to safeguard the Bank's ability to continue as a going concern. Compliance with capital adequacy ratios set by the CBRF is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Management Board and the Chief Accountant.

The CBRF sets capital requirements to the Bank and monitors compliance with these requirements. Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. As at 31 December 2012 and 31 December 2011, this minimal level was 10%.

The regulatory capital on the basis of the Bank's reports prepared in accordance with Russian legislation as at 31 December 2012 and 31 December 2011 is presented in the following table.

In thousands of Russian Roubles	**2012**	**2011**
Basic capital		
Share capital	2 392 000	2 392 000
Funds	119 600	119 600
Retained earnings	142 824	65 531
Additional capital		
Subordinated deposit	109 342	115 906
Less intangible assets	(15)	(15)
Profit of the reporting period	43 336	58 424
Total regulatory capital	**2 807 087**	**2 751 446**
Capital adequacy ratio	60.00%	64.90%

The amount of capital calculated under CBRF requirements differs from the amount of equity for IFRS purposes principally by the amount of loan portfolio impairment, revaluation of premises and deferred tax liability.

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

The measures which the Bank may apply in case the capital inadequacy include: additional share issue, disposal of assets, reduction of lending, attraction of funds to deposit accounts and attraction of interbank loans from the Parent. Allocation of capital between individual transactions and lines of business is primarily caused by the intention to increase return (profit margin) on allocated capital. Although the key driver for allocation of capital between individual transactions and lines of business is maximisation of return on capital considering the risk, this driver is not the only one when the decision is made. The Bank also considers whether this line of business fits the Bank's long-term plans and development strategy. The Bank's policy in respect of capital management and its allocation is analysed by the Bank's Board of Directors on a regular basis within the process of consideration and approval of annual budgets.

25 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years, preceding the year of review. Under certain circumstances reviews may cover longer periods.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that it's pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Bank's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Bank.

Capital expenditure commitments. At 31 December 2012, the Bank had no contractual capital expenditure commitments (2011: nil).

Operating lease commitments. Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Russian Roubles	**2012**	**2011**
Not later than 1 year	13 008	10 338
Due between 1 and 5 years	37 764	43 368
Total operating lease commitments	**50 772**	**53 706**

Compliance with covenants. As at 31 December 2012 and during the reporting year then ended, the Bank was not subject to any covenants related to its borrowed funds (2011: no covenants).

25 Contingencies and Commitments (Continued)

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**2012**	**2011**
Guarantees issued	1 429 425	918 988
Irrevocable credit lines	100 000	100 000
Total credit related commitments	**1 529 425**	**1 018 988**

The fair value of credit related commitments was RR 7 099 thousand at 31 December 2012 (2011: RR 1 713 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**2012**	**2011**
Russian Roubles	1 020 644	292 858
Euros	212 163	340 547
US dollars	296 618	385 583
Total	**1 529 425**	**1 018 988**

Assets pledged and restricted. Mandatory cash balances with the CBRF in the amount of RR 92 197 thousand (2011: RR 99 718 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day-to-day operations.

26 Fair Value of Financial Instruments

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Financial derivatives are recorded in the statement of financial position at fair value. Fair values were determined based on quoted market prices.

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

26 Fair Value of Financial Instruments (Continued)

Assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and range from 0.1% to 15.0% p.a. (2011: from 0.5% to 17.0% p.a.). These rates are analysed below:

	2012	2011
Due from other banks – *Note 8*		
Term placements with other banks	0.1% - 6.5% p.a.	0.5% - 4.0% p.a.
Loans and advances to customers - *Note 9*		
Loans to large companies	0.8% - 9.9% p.a.	1.7% - 9.7% p.a.
Loans to medium companies	3.4% p.a.	3.2% - 6.1% p.a.
Loans to small companies	8.0% - 9.4% p.a.	5.1% - 12.0% p.a.
Mortgage loans to individuals	8.0% - 15.0% p.a.	8.0% - 13.5% p.a.
Consumer loans to individuals	8.0% - 15.0% p.a.	8.0% - 17.0% p.a.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on cash flows discounted at interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Discount rates used were consistent with the Bank's credit risk and also depend on currency and maturity of the instrument and ranged from 0.1% to 8.8% p.a. (2011: from 0.1% p.a. to 8.2% p.a.):

	2012	2011
Due to other banks – *Note 13*	0.7% - 8.8% p.a.	0.8% - 8.2% p.a.
Customer accounts – *Note 14*		
Current and settlement accounts	0.1% - 3.8% p.a.	0.1% - 2.4% p.a.
Term deposits	0.1% - 7.2% p.a.	0.1% - 4.0% p.a.
Subordinated deposit	1.3% p.a.	1.6% p.a.

26 Fair Value of Financial Instruments (Continued)

Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments are as follows:

	2012		2011	
In thousands of Russian Roubles	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS CARRIED AT AMORTISED COST				
Cash and cash equivalents				
- Cash on hand	23 396	23 396	24 052	24 052
- Balances with the CBRF (other than mandatory reserve deposits)	625 280	625 280	213 938	213 938
- Correspondent accounts and overnight placements	539 362	539 362	590 335	590 335
- Settlement accounts with trading systems	15 100	15 100	1 290	1 290
Mandatory cash balances with the Central Bank of the Russian Federation	92 197	92 197	99 718	99 718
Due from other banks				
- Short-term placements with banks of SEB Group	1 250 880	1 250 880	-	-
- Short-term placements with Russian bank	1 202 447	1 202 447	112 695	112 695
Loans and advances to customers				
- Loans to large companies	5 260 041	5 267 778	7 052 707	7 051 458
- Loans to medium companies	108 113	108 810	15 575	15 691
- Loans to small companies	367 591	367 017	390 940	411 926
- Mortgage loans to individuals	128 441	130 172	171 322	179 319
- Consumer loans to individuals	102 965	106 307	133 221	142 320
Other financial assets				
- Receivables on commissions for financial guarantees	3 569	3 569	6 932	6 932
- Receivables on commissions for custody services	2 786	2 786	3 654	3 654
- Receivables on commissions for cash and settlement services	415	415	478	478
- Receivables on rent of safety deposit boxes	-	-	223	223
- Other	-	-	9	9
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**9 722 583**	**9 735 516**	**8 817 089**	**8 854 038**

26 Fair Value of Financial Instruments (Continued)

	2012		2011	
In thousands of Russian Roubles	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST				
Due to other banks	4 932 858	4 931 949	4 990 276	4 971 035
Customer accounts				
- Current/settlement accounts of legal entities	971 042	971 042	643 228	643 228
- Term deposits of legal entities	1 033 794	1 033 794	506 155	506 155
- Current/demand accounts of individuals	2 746	2 746	3 366	3 366
- Term deposits of individuals	1 292	1 292	4 086	4 086
Subordinated deposit	109 354	88 240	115 911	87 932
Other financial liabilities				
- Dividends payable on shares in custody	46 190	46 190	-	-
- Financial guarantees	7 099	7 099	1713	1 713
- Payables on accrued other operating expenses	1 787	1 787	1 421	1 421
- Commission for guarantees received	574	574	-	-
- Settlements with currency and stock exchanges	441	441	-	-
- Other	89	89	56	56
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**7 107 266**	**7 085 243**	**6 266 212**	**6 218 992**

27 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, Financial Instruments: Recognition of Measurement, the Bank classifies financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2012:

In thousands of Russian Roubles	**Loans and receivables**	**Total**
FINANCIAL ASSETS		
Cash and cash equivalents		
- Cash on hand	23 396	23 396
- Balances with the CBRF (other than mandatory reserve deposits)	625 280	625 280
- Correspondent accounts and overnight placements	539 362	539 362
- Settlement accounts with trading systems	15 100	15 100
Mandatory cash balances with the Central Bank of the Russian Federation	92 197	92 197
Due from other banks		
- Short-term placements with banks of SEB Group	1 250 880	1 250 880
- Short-term placements with Russian bank	1 202 447	1 202 447
Loans and advances to customers		
- Loans to large companies	5 260 041	5 260 041
- Loans to medium companies	108 113	108 113
- Loans to small companies	367 591	367 591
- Mortgage loans to individuals	128 441	128 441
- Consumer loans to individuals	102 965	102 965
Other financial assets		
- Receivables on commissions for financial guarantees	3 569	3 569
- Receivables on commissions for custody services	2 786	2 786
- Receivables on commissions for cash and settlement services	415	415
TOTAL FINANCIAL ASSETS	**9 722 583**	**9 722 583**

27 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets with the measurement categories defined in IAS 39, *Financial Instruments: Recognition and Measurement*, as of 31 December 2011:

In thousands of Russian Roubles	**Loans and receivables**	**Total**
FINANCIAL ASSETS		
Cash and cash equivalents		
- Cash on hand	24 052	24 052
- Balances with the CBRF (other than mandatory reserve deposits)	213 938	213 938
- Correspondent accounts and overnight placements	590 335	590 335
- Settlement accounts with trading systems	1 290	1 290
Mandatory cash balances with the Central Bank of the Russian Federation	99 718	99 718
Due from other banks		
- Short-term placements with banks of SEB Group	-	-
- Short-term placements with Russian bank	112 695	112 695
Loans and advances to customers		
- Loans to large companies	7 052 707	7 052 707
- Loans to medium companies	15 575	15 575
- Loans to small companies	390 940	390 940
- Mortgage loans to individuals	171 322	171 322
- Consumer loans to individuals	133 221	133 221
Other financial assets		
- Receivables on commissions for financial guarantees	6 932	6 932
- Receivables on commissions for custody services	3 654	3 654
- Receivables on commissions for cash and settlement services	478	478
- Receivables on rent of safety deposit boxes	223	223
- Other	9	9
TOTAL FINANCIAL ASSETS	**8 817 089**	**8 817 089**

As at 31 December 2012 and 31 December 2011, all of the Bank's financial liabilities are carried at amortised cost.

28 Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if they are under common control, or one party has the ability to control the other party, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2012, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Correspondent accounts with other banks (contractual interest rate: 0.0% p.a. – 1.7% p.a.)	475 548	654	-
Due from other banks (contractual interest rate: 6.15% p.a. - 6.5% p.a.)	1 250 880	-	-
Gross amount of loans and advances to customers (contractual interest rate: 8.0% p.a.)	-	-	8 971
Other financial assets	6 078	277	-
Correspondent accounts of other banks (contractual interest rate: 0.0% p.a.)	12 101	2 052	-
Placements of other banks (contractual interest rate: 0.8% p.a. – 8.2% p.a.)	4 918 705	-	-
Customer accounts (current accounts and term deposits) (contractual interest rate: 0.0% - 3.5% p.a.)	-	136 802	1
Subordinated deposit (contractual interest rate: 3 months LIBOR USD + 1% p.a.)	109 354	-	-

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

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Interest income	1 468	5	767
Interest expense	(212 535)	(7 841)	-
Fee and commission income	45 091	4 264	-
Fee and commission expense	(3 271)	(36)	-
Other operating income	-	846	-

28 Related Party Transactions (Continued)

At 31 December 2012, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Guarantees issued by the Bank	154 286	-	-
Guarantees received by the Bank on customers's obligations	12 772 425	774 429	-
Irrevocable credit lines	100 000	-	-

Aggregate amounts lent to and repaid by related parties during 2012 were:

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Amounts lent to related parties during the period under loan agreements	1 402 250	-	-
Amounts repaid by related parties during the period under loan agreements	152 250	-	6 363

At 31 December 2011, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Correspondent accounts with other banks (contractual interest rate: 0.0% p.a. – 1.7% p.a.)	310 823	2 974	-
Gross amount of loans and advances to customers (contractual interest rate: 8.0% p.a.)	-	-	11 914
Other financial assets	10 191	396	-
Correspondent accounts of other banks (contractual interest rate: 0.0% p.a.)	14 484	2 405	-
Placements of other banks (contractual interest rate: 0.8% p.a. – 8.2% p.a.)	4 973 386	-	-
Customer accounts (current accounts and term deposits) (contractual interest rate: 0.0% - 3.5% p.a.)	-	222 753	6
Subordinated deposit (contractual interest rate: 3 months LIBOR USD + 1% p.a.)	115 911	-	-

28 Related Party Transactions (Continued)

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

In thousands of Russian Roubles	Parent Bank	Entities under common control	Key management personnel
Interest income	4 223	4	1 181
Interest expense	(174 359)	(10 705)	(116)
Fee and commission income	-	-	-
Fee and commission expense	82 331	7 013	-
Other operating income	(2 097)	(39)	-

At 31 December 2011, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	Parent Bank	Entities under common control	Key management personnel
Guarantees issued by the Bank	644 144	-	-
Guarantees received by the Bank on customers' obligations	9 717 048	100 000	-
Irrevocable credit lines	100 000	-	-

Aggregate amounts lent to and repaid by related parties during 2011 were:

In thousands of Russian Roubles	Parent Bank	Entities under common control	Key management personnel
Amounts lent to related parties during the period under loan agreements	29 985	-	6 716
Amounts repaid by related parties during the period under loan agreements	289 985	-	1 718

The Bank's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The information about the Parent and the ultimate controlling party of the Bank is disclosed in Note 1.

Total remuneration paid to the key management personnel for 2012 was RR 77 609 thousand of which RR 5 823 thousand represent short-term benefits and RR 71 786 thousand - long-term benefits.

Total remuneration paid to the key management personnel for 2011 was RR 74 305 thousand of which RR 8 458 thousand represent short-term benefits and RR 65 847 thousand - long-term benefits.

At 1 January 2013, the number of the Bank's staff did not change compared to 1 January 2012 and was 96 (1 January 2012: 96), and the number of the key management personnel was 37 (1 January 2012: 37).

In 2012 and 2011, no remuneration was paid to the members of the Board of Directors. The members of the Bank's Board of Directors are employees of the Parent, and primarily provide services to the Parent, and their remuneration is paid by the Parent. The Board of Directors meets several times per year and it is impracticable to identify which portion of total remuneration of the Bank's Board of Directors paid by the Parent relates to the Bank.

29 Events After the End of the Reporting Period

On 16 January 2013, Fitch Ratings Ltd. international rating agency confirmed long-term default ratings of the issuer OAO SEB Bank at BBB+ level. The rating forecast is "Stable".