

**Open Joint Stock Company "Russian Agency for  
Export Credit and Investment Insurance"  
(OJSC "EXIAR")**

Financial statement

*For the year ended 31 December 2012  
together with Independent auditor's report*

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## Independent auditor's report

To the Shareholders and Board of Directors of Russian Agency for Export Credit and Investment Insurance OJSC

We have audited the accompanying financial statements of Russian Agency for Export Credit and Investment Insurance OJSC, which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 2012, and a summary of significant accounting policies and other explanatory information.

### **Audited entity's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Russian Agency for Export Credit and Investment Insurance OJSC as at 31 December 2012, and its financial performance and cash flows for the year 2012 in accordance with International Financial Reporting Standards.

*Ernst & Young LLC*

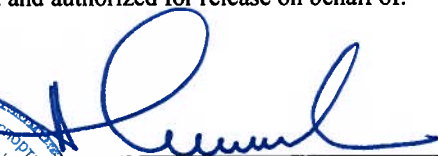
March 1, 2013

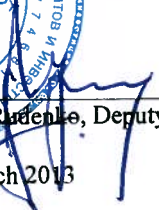
**Income statement  
for the year ended 31 December 2012**

*(in thousands of Russian Rubles)*

	Notes	Year ended 31 December 2012	Period ended 31 December 2011
<b>Insurance</b>			
Gross premiums written	5	11,942	1,698
Change in unexpired risk reserve (URR)		(8,496)	–
<b>Insurance result</b>		<b>3,446</b>	<b>1,698</b>
Interest income	6	2,339,962	139,184
Other operating and administrative expenses	7	(761,164)	(64,078)
<b>Operating and investment income less expenses</b>		<b>1,581,244</b>	<b>76,804</b>
Other income		–	29
<b>Profit before tax</b>		<b>1,581,244</b>	<b>76,833</b>
Income tax expense	8	(322,198)	(15,807)
<b>Net profit for the period</b>		<b>1,259,046</b>	<b>61,026</b>
Basic earnings per share, RUB		41.97	2.03
Diluted earnings per share, RUB		41.97	2.03

Signed and authorized for release on behalf of:

  
 P.M. Fradkov, CEO

  
 A.V. Rudenko, Deputy CEO

1 March 2013



*The accompanying notes 1-20 are an integral part of these financial statements.*

**Statement of comprehensive income  
for the year ended 31 December 2012***(in thousands of Russian Rubles)*

	<b>Notes</b>	<b>Year ended 31 December 2012</b>	<b>Period ended 31 December 2011</b>
<b>Net profit for the period</b>		<b>1,259,046</b>	<b>61,026</b>
<b>Other comprehensive income for the period, net of tax</b>		—	—
<b>Total comprehensive income</b>		<b>1,259,046</b>	<b>61,026</b>

*The accompanying notes 1-20 are an integral part of these financial statements.*

**Statement of financial position  
as at 31 December 2012**

*(in thousands of Russian Rubles)*

	Notes	At 31 December 2012	At 31 December 2011
<b>Assets</b>			
Intangible assets	9	2,011	–
Property and equipment	10	66,093	3,541
Amounts due from credit institutions	11	30,527,702	29,503,390
Deferred tax assets	8	2,445	–
Insurance receivables	12	5,522	–
Income tax receivable		11,646	–
Cash and cash equivalents	13	707,789	524,707
Other assets	14	25,536	45,556
<b>Total assets</b>		<b>31,348,744</b>	<b>30,077,194</b>
<b>Liabilities</b>			
Insurance contract liabilities		8,496	–
Current tax liabilities		–	15,807
Payables	15	10,226	–
Other liabilities	16	9,950	361
<b>Total liabilities</b>		<b>28,672</b>	<b>16,168</b>
<b>Equity</b>			
Share capital		30,000,000	30,000,000
Other reserves		4,115	–
Retained earnings		1,315,957	61,026
<b>Total equity</b>		<b>31,320,072</b>	<b>30,061,026</b>
<b>Total liabilities and equity</b>		<b>31,348,744</b>	<b>30,077,194</b>

*The accompanying notes 1-20 are an integral part of these financial statements.*

**Statement of changes in equity  
for the year ended 31 December 2012**

*(in thousands of Russian Rubles)*

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Other reserves</b>	<b>Total equity</b>
<b>At 31 December 2010</b>				
Profit for 2011	–	61,026	–	61,026
Increase in share capital	30,000,000	–	–	30,000,000
<b>At 31 December 2011</b>	<b>30,000,000</b>	<b>61,026</b>		<b>30,061,026</b>
Profit for the year	–	1,259,046	–	1,259,046
Recognition of equalization provision within equity	–	(4,115)	4,115	–
<b>At 31 December 2012</b>	<b>30,000,000</b>	<b>1,315,957</b>	<b>4,115</b>	<b>31,320,072</b>

*The accompanying notes 1-20 are an integral part of these financial statements.*

**Statement of cash flows  
for the year ended 31 December 2012**

(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2012	Period ended 31 December 2011
<b>Cash flows from operating activities</b>			
Profit for the period before tax		1,581,244	76,833
<i>Adjustments for non-cash items included in profit before tax:</i>			
Depreciation and amortization	7, 9, 10	12,776	–
Accrued but not received interest income on amounts due from credit institutions	6	(24,312)	(3,390)
Changes in insurance contract liabilities	18	8,496	–
<b>Operating income before changes in working capital</b>		<b>1,578,204</b>	<b>73,443</b>
<i>Adjustments for changes in working capital:</i>			
Decrease (increase) in insurance receivables		(5,522)	–
Decrease (increase) in operating assets		20,021	(45,556)
Increase in operating liabilities		19,815	361
Income tax paid	8	(352,097)	–
<b>Cash flows from operating activities after changes in operating assets and liabilities</b>		<b>1,260,421</b>	<b>28,248</b>
<b>Cash flows from investing activities</b>			
Increase in bank deposit investments		(1,000,000)	(29,500,000)
Purchase of property and equipment	10	(75,299)	(3,541)
Purchase of intangible assets	9	(2,040)	–
<b>Net change in cash from investing activities</b>		<b>(1,077,339)</b>	<b>(29,503,541)</b>
<b>Cash flows from financing activities</b>			
Contributions to share capital		–	30,000,000
<b>Net change in cash from financing activities</b>		<b>–</b>	<b>30,000,000</b>
<b>Net change in cash and cash equivalents</b>		<b>183,082</b>	<b>524,707</b>
Cash and cash equivalents, beginning	13	524,707	–
<b>Cash and cash equivalents, ending</b>	<b>13</b>	<b>707,789</b>	<b>524,707</b>
<b>Reference data:</b>			
Exchange differences on balances in foreign currencies		(140)	17
Interests received		2,314,336	135,794

The accompanying notes 1-20 are an integral part of these financial statements.



(in thousands of Russian Rubles)

## 1. Principal activities

Russian Agency for Export Credit and Investment Insurance (short name – OJSC "EXIAR") (the "Agency", or the "Company") is an open joint stock company incorporated pursuant to provisions of Federal Law of Russian Federation No. 82-FZ, "On Bank for Development", dated 17 May 2007.

The primary objective of the Agency's activities is to provide insurance services in connection with exports of Russian goods (work, services) and Russian investments abroad. The Agency provides credit and investment insurance services against business and (or) political risks to Russian exporters of goods (work, services), Russian investors (on respective transactions) and Russian and foreign credit institutions that finance such credits and investments.

The Agency operates in pursuance of the above Law without obtaining a special permit (license) and its activity is not subject to Federal Law of Russian Federation No. 4015-FZ, "On organization of insurance in Russian Federation", dated 27 November 1992. The Agency is guided by the Regulation approved by Resolution No. 964 of the Government of the Russian Federation dated 22 November 2011.

State corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" was the sole shareholder of the Agency at the reporting date and during the reporting period of these financial statements.

As of 31 December 2012, the Agency does not have any interest in other organizations.

The Agency is located (registered) at: 3, 1st Zachatievsky Pereulok, bld.1, 119034 Moscow, Russian Federation.

## 2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

When entering into non-standard or irregular operations or transactions, standards (interpretations) regulating accounting and assessment of similar/identical operations or transactions are to be applied and reasonable professional judgment of responsible persons is to be made.

These financial statements have been prepared on a historical cost basis. These financial statements are presented in Russian Rubles ("RUB"), unless otherwise indicated. The Ruble is used as the presentation currency since the majority of the Agency's transactions are denominated, measured or funded in Russian Rubles (functional currency). Transactions in other currencies are treated as transactions in foreign currencies.

For the purposes of preparation of these financial statements and recognition of assets or liabilities and income or expenses in the statement of financial position or the income statement, items which do not meet the materiality criterion can be categorized as other assets, other liabilities, other income or other expenses.

A respective item may be designated as "other" if the share of the respective financial statements line (other assets, other liabilities, other income or other expenses) which includes such item does not exceed 5% of the indicator calculated based on the balance sheet total at the reporting date.

(in thousands of Russian Rubles)

### 3. Summary of significant accounting policies

A summary of significant accounting policies with regard to assets, liabilities and income and expenses recorded in the financial statements is presented below.

#### **Product classification**

##### *Insurance contracts*

At 31 December 2012, the Agency developed and implemented general terms and conditions in respect of the following insurance products:

##### *Whole turnover insurance*

Insurance covers regular deliveries of similar goods effected on short-term (up to 360 days) commercial credit terms to a specified range of foreign customers.

##### *Single risk insurance.*

Insurance covers commercial, bank or interbank credits related to particular export deals, usually medium- or long term and implying multi-stage delivery of goods, provision of services or execution of work .

All the insurance products cover both commercial (bankruptcy, protracted default) and political (blockage of currency transfer and convertibility, confiscation, expropriation, nationalization and deprivation by authorities, force-majeure, including war, civil disorders and natural disasters) risks of default by a foreign borrower of the export credit.

The Agency considers that each and every contract concluded in compliance with the above general conditions meets the definition of an insurance contract under IFRS 4 and treats them and accounts for them accordingly.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash on current accounts and short-term bank deposits that mature within 90 days from the date of origination and are free from contractual encumbrances.

#### **Amounts due from credit institutions**

Amounts due from credit institutions comprise cash on deposits with credit institutions maturing in more than 90 days from the date of origination. In the normal course of business, the Agency maintains deposits with credit institutions for various periods of time. The deposits are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investments. For further assessment of bank deposits, their carrying amount is assumed to be equal to their fair value. The deposits are carried at amortized cost. Gains and losses are recognized in the income statement when the assets are derecognized or impaired, as well as through the amortization process.

#### **Property and equipment**

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment recognized when that cost is incurred if the recognition criteria are met.

The carrying amount of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation of an asset begins when it is available for use.

(in thousands of Russian Rubles)

### 3. Summary of significant accounting policies (continued)

#### Property and equipment (continued)

Useful life of property and equipment is set in months. Depreciation of assets under construction and those not placed in service commences from the date such assets are placed into service. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	180-720
Equipment	24-120
Vehicles	24-360

Assets with the cost of less than RUB 40 thousand per asset are not recognized within property and equipment.

#### Taxation

The current income tax expense is calculated in accordance with the legislation of the Russian Federation.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the balance sheet method. Deferred income taxes are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Apart from the income tax, there are various operating taxes that are assessed on the Agency's activities in accordance with tax legislation of Russian Federation. These taxes are recorded as a component of general and administrative expenses.

#### Share capital

Ordinary shares are classified as share capital. External costs directly attributable to the issuance of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity.

#### Income and expense recognition

##### *Insurance income and expenses*

Insurance premium written on an insurance contract is booked in full amount stipulated in that contract on the latter of the dates: the date the contract is signed or the date when insurance coverage starts. Insurance premium written on an insurance contract contributes to the financial result of a reporting year only in a fraction of the total premium which is determined by proportion of the risk exposure period expired in the reporting year to the total risk exposure period under the contract.

Exposure period is the period when the insured event can occur.

##### *Leases*

The Company is a lessee. Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are recognized as expenses on a straight-line basis over the lease term and included in general and administrative expenses.

Foreign currency transactions are recorded upon initial recognition at the functional currency by applying the exchange rate between the functional currency and the foreign currency set by the Central Bank of Russian Federation at the date of the respective transaction.

(in thousands of Russian Rubles)

### 3. Summary of significant accounting policies (continued)

#### Future changes in accounting policies

Standards issued but not yet effective as of the date of issuing the Agency's financial statements are listed below. This listing includes those standards and interpretations issued where the Agency reasonably expects an impact on disclosures, financial position or performance when applied at a future date. The Agency intends to adopt these standards when they become effective.

#### *Amendment to IFRS 7, Financial Instruments: Disclosures*

The amendment was issued in October 2010 and becomes effective for annual periods beginning on 1 July 2011. The amendment requires additional disclosures about transferred financial assets to enable the users of the Agency's financial statements to assess the risks associated with those assets. The amendment had no impact either on disclosures or financial position or performance of the Agency.

The following amended standards had no impact on accounting policies, financial position or performance of the Agency:

- Amendment to IAS 12, *Income Taxes – Deferred Taxes: Recovery of Underlying Assets*;
- Amendment to IFRS 1, *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*.

### 4. Significant accounting judgments and estimates

In the process of preparation of these financial statements the management of the Agency used a number of assumptions and estimates in respect of presentation of assets and liabilities and disclosure of contingent assets and liabilities. The actual results may be different from those assumed and (or) estimated.

### 5. Insurance premiums

In 2012, premiums written on 10 insurance contracts amounted to RUB 11,942 thousand. The aggregate sum insured / limit of liability under exporter risk insurance contracts and bank credit risk insurance contracts concluded by the Agency in 2012 totaled RUB 1,221 million; the portfolio insurance periods vary from 5 to 19 months.

In 2011, premiums written on insurance contracts amounted to RUB 1,698 thousand. The aggregate sum insured / limit of liability under exporter risk insurance contracts and bank credit risk insurance contracts concluded by the Agency totaled RUB 248.7 million; the portfolio insurance periods varied from 6 to 18 months.

### 6. Interest income

	Year ended 31 December 2012	Period ended 31 December 2011
Interest income on bank deposits	2,303,674	138,757
Interest income on current accounts	36,288	427
<b>Total interest income</b>	<b>2,339,962</b>	<b>139,184</b>

As of 31 December 2012 accrued but not received interest income on amounts due from credit institutions amounted to RUB 27,702 thousand (in 2011 – RUB 3,390 thousand).

(in thousands of Russian Rubles)

**7. Other operating and administrative expenses**

	<b>Notes</b>	<b>Year ended 31 December 2012</b>	<b>Period ended 31 December 2011</b>
Salaries, wages and bonuses		334,264	29,724
Obligatory social contributions		41,325	5,757
Provision for unused vacation		9,950	–
Voluntary social contributions		4,878	165
<b>Total employee benefit expense</b>		<b>390,417</b>	<b>35,646</b>
Rent		103,509	6,720
Audit and advisory services		48,845	11,173
Repair and maintenance		42,278	–
Communication, information systems and software		35,355	5,905
Legal fees		26,087	–
Utilities		26,011	–
Advertising		18,196	1,208
Travel expenses		16,838	–
Inventories		13,396	919
Depreciation and amortization	9, 10	12,776	–
Taxes other than income tax		870	–
Net forex loss		668	–
Other administrative expenses		26,918	1,574
<b>Total other operating and administrative expenses</b>		<b>762,164</b>	<b>64,078</b>

**8. Income tax expense**

Income tax expense comprises:

	<b>For the year ended 31 December 2012</b>	<b>For the period ended 31 December 2011</b>
Current income tax	324,643	15,807
Deferred tax	(2,445)	–
<b>Income tax expense</b>	<b>322,198</b>	<b>15,807</b>

Russian legal entities must file individual tax declarations. The standard tax rate for companies was 20% for 2011 and 2012. In 2011 and 2012, the tax rate for interest (coupon) income on certain types of bonds (including certain state and municipal bonds, certain mortgage-backed bonds and some other bonds) was 15% or 9% (depending on the type of bonds). Dividends paid by Russian legal entities are subject to income tax at the standard rate of 9%, which can be reduced to 0% if certain criteria are met.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on the statutory rate with the actual tax expense is as follows:

	<b>For the year ended 31 December 2012</b>	<b>For the period ended 31 December 2011</b>
<b>Profit before tax</b>	<b>1,581,244</b>	<b>76,833</b>
Statutory income tax rate	20%	20%
<b>Theoretical income tax expense/(benefit) at the statutory rate</b>	<b>316,249</b>	<b>15,367</b>
Non-deductible expenses for income tax purposes	5,949	440
<b>Income tax expense</b>	<b>322,198</b>	<b>15,807</b>

*(in thousands of Russian Rubles)***8. Income tax expense (continued)**

Deferred tax assets as of 31 December and their movements for the respective years comprise:

	Origination and reversal of temporary differences			2012
	2011	In the income statement	In other compre- hensive income	
<b>Tax effect of deductible temporary differences:</b>				
Property and equipment	–	224	–	224
Vacation reserve accrual	–	1,699	–	1,699
Audit and advisory services	–	522	–	522
<b>Deferred tax asset, gross</b>	–	<b>2,445</b>	–	<b>2,445</b>
Unrecognized deferred tax asset	–	–	–	–
<b>Deferred tax asset</b>	–	<b>2,445</b>	–	<b>2,445</b>
<b>Deferred tax liabilities</b>	–	–	–	–
<b>Deferred tax asset, net</b>	–	<b>2,445</b>	–	<b>2,445</b>

**9. Intangible assets**

	Licenses	Software	Total
<b>Cost</b>			
<b>At 31 December 2011</b>	–	–	–
Additions	473	1,567	2,040
Disposals	–	–	–
<b>At 31 December 2012</b>	<b>473</b>	<b>1,567</b>	<b>2,040</b>
<b>Accumulated amortization and impairment</b>			
<b>At 31 December 2011</b>	–	–	–
Amortization charge	29	–	29
Disposals	–	–	–
Impairment	–	–	–
<b>At 31 December 2012</b>	<b>29</b>	–	<b>29</b>
<b>Carrying amount</b>			
<b>At 31 December 2011</b>	–	–	–
<b>At 31 December 2012</b>	<b>444</b>	<b>1,567</b>	<b>2,011</b>

Licenses valued at RUB 444 thousand represent the Agency's registered trademark; software valued at RUB 1,567 thousand represents the Agency's information website in the Internet. As at 31 December 2012, these assets were tested for impairment, and no evidence of impairment was identified.

*(in thousands of Russian Rubles)***10. Property and equipment**

	<b>Equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress and property and equipment at the warehouse</b>	<b>Total</b>
<b>Cost</b>				
<b>At 31 December 2011</b>	<b>3,133</b>	<b>408</b>	–	<b>3,541</b>
Additions	58,487	16,772	40	75,299
Disposals	–	–	–	–
<b>At 31 December 2012</b>	<b>61,620</b>	<b>17,180</b>	<b>40</b>	<b>78,840</b>
<b>Accumulated depreciation</b>				
<b>At 31 December 2011</b>	–	–	–	–
Depreciation charge	9,461	3,286	–	12,747
Disposals	–	–	–	–
<b>At 31 December 2012</b>	<b>9,461</b>	<b>3,286</b>	–	<b>12,747</b>
<b>Carrying amount</b>				
<b>At 31 December 2011</b>	<b>3,133</b>	<b>408</b>	–	<b>3,541</b>
<b>At 31 December 2012</b>	<b>52,159</b>	<b>13,894</b>	<b>40</b>	<b>66,093</b>

Equipment includes computers, furniture and office equipment. As at 31 December 2012, these assets were tested for impairment, and no evidence of impairment was identified.

**11. Amounts due from credit institutions**

As at 31 December 2012, amounts due from credit institutions comprise one RUB-denominated deposit with Vnesheconombank, maturing in the first quarter of 2013 and bearing an interest rate of 6.5%, and three long-term RUB-denominated deposits with Vnesheconombank, maturing in the second half of 2013 and bearing interest rates of 7.0%, 8.3% and 8.65%, respectively.

As at 31 December 2011, amounts due from credit institutions comprise two RUB-denominated long-term deposits with Vnesheconombank, maturing 2012 and bearing an interest rate of 7.25% and 8.25%, respectively.

**12. Insurance receivables**

As at 31 December 2012, insurance receivables comprise amounts due from policyholders under direct insurance contracts for the total amount of RUB 5,522 thousand (2011: 0). The carrying amount equals the fair value as at the reporting date. All amounts are receivable within one year.

**13. Cash and cash equivalents**

	<b>At 31 December 2012</b>	<b>At 31 December 2011</b>
Balances on current accounts with Vnesheconombank	107,217	124,642
Balances on current accounts with OJSC Sviaz-Bank	599,393	400,065
Corporate card account balance with OJSC Sviaz-Bank	1,179	–
<b>Total cash and cash equivalents</b>	<b>707,789</b>	<b>524,707</b>

*(in thousands of Russian Rubles)***14. Other assets**

	<b>At 31 December 2012</b>	<b>At 31 December 2011</b>
Deferred expenses	12,538	392
Advances to suppliers	10,717	44,259
Inventories	2,053	905
Other receivables	228	–
<b>Total other assets</b>	<b>25,536</b>	<b>45,556</b>

All inventories as at 31 December 2012 are categorized as materials. Inventories were not pledged as collateral for liabilities. During 2012 inventories amounting to RUB 26,784 thousand were expensed (2011 – RUB 933 thousand). Inventories were expensed at cost.

Deferred expenses as at 31 December 2012 comprise license fees and royalty payments for software which cannot be categorized as intangible assets due to the lack of control over the resource.

**15. Payables**

	<b>At 31 December 2012</b>	<b>At 31 December 2011</b>
Trade accounts payable	9,474	–
Taxes and levies payable	609	–
Other payables	143	–
<b>Total payables</b>	<b>10,226</b>	<b>–</b>

The carrying amount disclosed above equals the fair value as at the reporting date. All amounts are payable within one year.

**16. Other liabilities**

As at 31 December 2012, other liabilities comprise a provision for unused vacations in the amount of RUB 9,950 thousand. (2011: 0)

**17. Commitments and contingencies****Legal issues**

In the ordinary course of business, the Agency is subject to legal actions and complaints. Management believes that the contingent liability, if any, arising from such actions or complaints will not have material adverse effect on the future financial position or performance of the Agency. As at 31 December 2012, the Agency was not involved in any litigation.



(in thousands of Russian Rubles)

## 17. Commitments and contingencies (continued)

### Taxation

Some favorable provisions of the currently in-force Russian legislation regulating the taxation of insurance activities are not applicable to the Agency's activities. To address the issue, a bill was drafted in 2012, providing for a number of amendments pertaining to the specifics of the application of value added tax and corporate income tax to the Agency when carrying out activities involving the insurance of export credits and investments against business and/or political risks. As to value added tax, the bill allows the Agency to expense all incoming VAT and reliefs it from separate accounting of taxable and non-taxable operations. As to income tax, it establishes special requirements for determining income and expenses for the purpose of assessing corporate income tax on the taxpayer's activities involving the insurance of export credits and investments against business and/or political risks. The bill has been submitted by the Government of Russian Federation to the State Duma and is expected to be discussed during its spring session in 2013. The Agency has taken a conservative approach to interpreting the applicable legislation for the purposes of its tax policy and will continue to do so until the possible amendments to the current legislation take legal effect.

New transfer pricing legislation, which largely follows the OECD recommendations, entered into force in 2012. The legislation introduces new related-party criteria, new rules for determining the degree of controllability of transactions and new requirements for submitting notices to the tax authorities.

As at 31 December 2012, the Agency's management believes that its interpretation of the relevant legislation is appropriate and that the Agency's position in respect of tax, currency and customs legislation will be sustained.

## 18. Risk management

Effective risk management is one of the priority areas of the Agency's activity as an institution for national non-commodity export development. The Board of Directors approved the key documents defining the role, purpose and tasks of risk management in the Agency.

*The main purposes of risk management in the Agency are as follows:*

- to ensure compliance of the Agency's risk profiles to the risk appetite in order to provide security and effective use of actual capital;
- to introduce risk management policies into the Agency's strategy and into the decision-making processes at all levels.

*Risk management tasks include:*

- timely identification, assessment, management, monitoring and communication of information concerning risks which may have an impact on the Agency's activities;
- provision of relevant, reliable and consistent information concerning risks to be used in decision-making processes;
- to develop risk awareness and risk acceptance discipline at the Agency.

*Internal control system:*

The Agency's system of internal control has a three-level organizational structure:

- 1<sup>st</sup> level: Shareholders' meeting, Board of Directors, Audit Commission, Audit and Control Committee and other committees, established under the Board of Directors;
- 2<sup>nd</sup> level: CEO and the Management Board;
- 3<sup>rd</sup> level: internal committees of the Agency, Department of Risk Management, special unit or officer carrying out internal audit and control functions, Chief accountant, special officer responsible for anti-money-laundering control, unit managers and other employees of the Agency.

(in thousands of Russian Rubles)

## 18. Risk management (continued)

Distribution of powers and responsibilities on the third level of control is based on the three-lines-of-defense principle.

### *Risk appetite:*

The main purpose of the Agency stipulates higher requirements to solvency and long-term financial stability so that the Agency can timely and completely fulfill its obligations. To ensure compliance with such requirements, the Agency's obligations are secured by the sovereign guarantee of Russian Federation and by the financial support of Vnesheconombank in the amounts USD 10 billion.

The Agency's targeted financial strength, not considering the guarantees, is determined as an AA financial strength rating according to the international rating scale of Standard & Poor's.

### *Capital management*

The Board of Directors approved the Procedure for calculating the regulatory solvency capital of OJSC "EXIAR", which establishes regulatory requirements to the Agency's equity amount. The results of calculation of the Agency's regulatory solvency capital and capital adequacy ratio are included in the Agency's performance reports on a quarterly basis.

As at 31 December 2012, the Agency's regulatory capital amounts to RUB 3 billion.

### **Key risk categories within the Agency's activity**

#### *Insurance risk*

Insurance risk is a risk of incurring losses as a result of the actual loss deviation from the assumptions used in pricing, reserve estimation and business planning.

The current insurance risk is limited to the extent of the Agency's insurance operations. As at 31 December 2012, the total exposure was RUB 1,221 million.

In accordance with the Russian legislation, the aggregate limit of the Agency's insurance liabilities may not at any time exceed the higher of the following:

- the amount which is ten times the Agency's equity;
- RUB 300 billion.

For the purposes of managing the cumulative insurance risk, the Agency uses a system of mandatory limits broken down by countries, macro-regions and industry sectors.

#### *Market risk*

Market risk is a risk of incurring losses as a result of adverse changes on financial markets and low liquidity of financial assets of the Agency.

*(in thousands of Russian Rubles)***18. Risk management (continued)****Key risk categories within the Agency's activity (continued)**

As at 31 December 2012, the Agency believes the impact of market risks is insignificant due:

- low volumes of long-term insurance liabilities (as at 31 December 2012, insurance contract liabilities totaled RUB 8,496 thousand);
- conservative investment policy in 2012 (investments were made only into deposits with Vnesheconombank and banks of the Vnesheconombank Group);
- short-term nature of investments assets;
- insignificant volumes of assets and liabilities denominated in foreign currency ( in thousands of Russian rubles):

	<b>At 31 December 2012</b>				
	<b>RUB</b>	<b>USD</b>	<b>EUR</b>	<b>Other foreign currencies</b>	<b>Total</b>
<b>Assets</b>					
Intangible assets	2,011	–	–	–	2,011
Property and equipment	66,093	–	–	–	66,093
Amounts due from credit institutions	30,527,702	–	–	–	30,527,702
Deferred tax assets	2,445	–	–	–	2,445
Insurance receivables	5,155	367	–	–	5,522
Income tax receivable	11,646	–	–	–	11,646
Cash and cash equivalents	707,781	3	5	–	707,789
Other assets	22,780	2,716	35	5	25,536
<b>Total assets</b>	<b>31,345,613</b>	<b>3,086</b>	<b>40</b>	<b>5</b>	<b>31,348,744</b>
<b>Liabilities</b>					
Insurance contract liabilities	5,129	3,272	95	–	8,496
Current tax liabilities	–	–	–	–	–
Payables	4,375	1,408	4,443	–	10,226
Other liabilities	9,950	–	–	–	9,950
<b>Total liabilities</b>	<b>19,454</b>	<b>4,680</b>	<b>4,538</b>	<b>–</b>	<b>28,672</b>
<b>Net asset/(liability)</b>	<b>31,326,159</b>	<b>(1,594)</b>	<b>(4,498)</b>	<b>5</b>	
<b>At 31 December 2011</b>					
	<b>RUB</b>	<b>USD</b>	<b>EUR</b>	<b>Other foreign currencies</b>	<b>Total</b>
<b>Assets</b>					
Intangible assets	–	–	–	–	–
Property and equipment	3,541	–	–	–	3,541
Amounts due from credit institutions	29,503,390	–	–	–	29,503,390
Deferred tax assets	–	–	–	–	–
Cash and cash equivalents	523,416	1,288	3	–	524,707
Other assets	45,013	543	–	–	45,556
<b>Total assets</b>	<b>30,075,360</b>	<b>1,831</b>	<b>3</b>	<b>–</b>	<b>30,077,194</b>
<b>Liabilities</b>					
Insurance contract liabilities	–	–	–	–	–
Current tax liabilities	15,807	–	–	–	15,807
Payables	–	–	–	–	–
Other liabilities	361	–	–	–	361
<b>Total liabilities</b>	<b>16,168</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>16,168</b>
<b>Net asset/(liability)</b>	<b>30,059,192</b>	<b>1,831</b>	<b>3</b>	<b>–</b>	

*(in thousands of Russian Rubles)***18. Risk management (continued)****Key risk categories within the Agency's activity (continued)**

- high liquidity level of Company's assets as of 31 December 2012:
  - Agency can turn up to 2% (RUB 689 million) of total assets into cash on hand within one day;
  - interest on one of the deposits with Vnesheconombank is paid monthly which contributes to high liquidity ratios;
  - all cash invested into deposits with Vnesheconombank can be withdrawn before due date at a 5-days' notice.

*Credit risk*

Credit risk is a risk that counterparties may default on their obligations to the Agency.

The current credit risk is limited due to absence of reinsurance activity, insignificant amount of receivables and conservative management of the equity invested only into the deposits with Vnesheconombank and banks of the Vnesheconombank Group. Credit risk is presented in the table below (in thousands of Russian rubles):

	Notes	Neither past due nor impaired		Total
		Rating BBB	Rating BB	
<b>At 31 December 2012</b>				
Amounts due from credit institutions	11	30,527,702	–	<b>30,572,702</b>
Cash and cash equivalents	13	107,217	600,572	<b>707,789</b>
<b>Total at 31 December 2012</b>		<b>30,634,919</b>	<b>600,572</b>	<b>31,235,491</b>
<b>At 31 December 2011</b>				
Amounts due from credit institutions	11	29,503,390	–	<b>29,503,390</b>
Cash and cash equivalents	13	124,642	400,065	<b>524,707</b>
<b>Total at 31 December 2011</b>		<b>29,628,032</b>	<b>400,065</b>	<b>30,028,07</b>

*Operational, strategic and reputational risks*

Operational risk is a risk of incurring losses as a result of lacks or errors in the Agency's operating processes or control procedures.

Reputational risk is a risk of damaging reputation, losing customer confidence or breaching applicable regulations through any action or lack of action by the Agency.

Strategic risk is a risk of incurring losses or failure to fulfill strategic or financial targets of the Agency resulting from deficiencies in planning or implementing the adopted decisions.

*(in thousands of Russian Rubles)***19. Related party disclosures**

In accordance with IAS 24, *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to its substance not merely the legal form.

Related parties include Vnesheconombank, its subsidiaries and key management personnel of the Agency.

The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows (in thousand of Russian rubles):

	<b>2012</b>				<b>Total amounts per Statement of financial position</b>
	<b>Parent</b>	<b>Subsidiaries of the Parent</b>	<b>Key management personnel</b>	<b>Total related parties</b>	
Cash and cash equivalents at 31 December	107,216	600,572	–	707,789	<b>707,789</b>
Amounts due from credit institutions at 31 December	30,527,702	–	–	30,527,702	<b>30,527,702</b>
	<b>2011</b>				
	<b>Parent</b>	<b>Subsidiaries of the Parent</b>	<b>Key management personnel</b>	<b>Total related parties</b>	<b>Total amounts per Statement of financial position</b>
Cash and cash equivalents at 31 December	124,642	400,065	–	524,707	<b>524,707</b>
Amounts due from credit institutions at 31 December	29,503,390	–	–	29,503,390	<b>29,503,390</b>
	<b>2012</b>				
	<b>Parent</b>	<b>Subsidiaries of the Parent</b>	<b>Key management personnel</b>	<b>Total related parties</b>	<b>Total amounts per Income statement</b>
Interest income	2,317,698	22,264	–	2,339,962	<b>2,339,962</b>
Other operating and administrative expenses	(132)	(75,867)	(96,405)	(167,699)	<b>(762,164)</b>
	<b>2011</b>				
	<b>Parent</b>	<b>Subsidiaries of the Parent</b>	<b>Key management personnel</b>	<b>Total related parties</b>	<b>Total amounts per Income statement</b>
Interest income	139,184	–	–	139,184	<b>139,184</b>
Other operating and administrative expenses	(32)	(5,485)	(13,202)	(18,719)	<b>(64,078)</b>

(in thousands of Russian Rubles)

## 19. Related party disclosures (continued)

The key management personnel of the Agency comprise the CEO, Deputy CEOs, Functional Directors and an advisor. Below is a review of compensations paid to the key management personnel during the year (in thousands of Russian rubles):

	<u>2012</u>	<u>2011</u>
Salaries, wages and bonuses	86,047	12,000
Obligatory social contributions	9,539	1,121
Voluntary social contributions	549	81
Vacation reserve accrual	270	–
<b>Total compensation to key management personnel</b>	<b><u>96,405</u></b>	<b><u>13,202</u></b>

No compensation was accrued or paid to the members of the Board of Directors.

## 20. Events after the reporting period

During the period from 1 January 2013 to the date of these financial statements, there were no events that could have a significant impact on the financial statements of the Agency.