OPEN JOINT-STOCK COMPANY MICEX-RTS

Consolidated Financial Statements
For the Year Ended December 31, 2011

MICEX-RTS GROUP

Table of Contents

Page

ERNST & YOUNG

CJSC Ernst & Young Vneshaudit
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com

ЗАО «Эрнст энд Янг Внешаудит»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 00139790

Independent auditors' report

To the Shareholders and the Board of Directors of OJSC MICEX-RTS

We have audited the accompanying consolidated financial statements of OJSC MICEX-RTS and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated income statement, consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of consolidated the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Vneshaudit

April 6, 2012

Consolidated Income Statement for the Year Ended December 31, 2011
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
Fee and commission income	6	9 950 977	7 768 810
Interest income	7	7 716 338	3 406 595
Interest expense		(64 505)	(1 772)
Net loss on financial assets carried at fair value	8	(856 766)	(78 064)
Foreign exchange gains less losses		124 995	(6 118)
Other operating income	9	76 986	21 333
Operating Income		**16 948 025**	**11 110 784**
Administrative and other operating expenses	10	(4 091 889)	(2 707 850)
Personnel expenses	11	(3 597 691)	(2 195 245)
Operating Profit		**9 258 445**	**6 207 689**
Interest expense in respect of written put option over own shares	5	(734 545)	–
Share of profits of associates	19	47 808	30 192
Dividends received		6 587	–
Profit before Tax		**8 578 295**	**6 237 881**
Income tax expense	12	(1 881 531)	(1 411 618)
Net Profit		**6 696 764**	**4 826 263**
Attributable to:			
Equity holders of the parent		6 699 931	4 436 476
Non-controlling interest		(3 167)	389 787
Earnings per share			
Basic and diluted earnings per share, rubles	29	3.14	2.78

President
Aganbegyan R.A.

April 6, 2012
Moscow

Chief Financial Officer
Subbotin V.N.

April 6, 2012
Moscow

Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2011
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
Net profit		**6 696 764**	**4 826 263**
Other comprehensive loss:			
Exchange differences on translating foreign operations		87 852	23
Net loss resulting on revaluation of investments available-for-sale		(115 509)	(72 511)
Net gain on investments available-for sale reclassified to profit or loss		(267 454)	–
Deferred income tax on items recorded in other comprehensive loss	12	76 593	14 497
Other comprehensive loss after tax		(218 518)	(57 991)
Total comprehensive income		**6 478 246**	**4 768 272**
Attributable to:			
Equity holders of the parent		6 434 276	4 378 485
Non-controlling interest		43 970	389 787
Total comprehensive income		**6 478 246**	**4 768 272**

The notes on pages 10-57 form an integral part of these consolidated financial statements.

MICEX-RTS GROUP

Consolidated Statement of Financial Position as at December 31, 2011
(in thousands of Russian rubles)

	Notes	December 31, 2011	December 31, 2010
ASSETS			
Cash and cash equivalents	13	165 830 133	160 462 572
Financial assets at fair value though profit or loss	14	47 258 767	21 548 639
Due from financial institutions	15	22 246 437	9 091 395
Central counterparty financial assets	16	2 638 858	560 489
Investments avaliable-for-sale	17	29 830 443	10 585 578
Investments held-to-maturity	18	692 266	1 564 752
Investments in associates	19	670 101	145 495
Property and equipment	20	5 722 745	5 452 174
Intangible assets	21	19 970 281	656 823
Goodwill	22	16 072 302	97 487
Current tax prepayments		520 397	122 217
Deferred tax asset	12	246 983	30 916
Other assets	23	1 501 966	557 069
Total assets		**313 201 679**	**210 875 606**
LIABILITIES			
Balances of market participants	24	245 435 510	178 415 284
Written put option over own shares	5	21 789 201	–
Liabilities to repurchase own shares	27	2 738 315	–
Distributions payable to holders of securities		2 680 832	2 993 020
Central counterparty financial liabilities	16	2 638 858	560 489
Loans payable	25	2 561 105	72 710
Deferred tax liability	12	4 230 362	435 881
Current tax payables		165 910	2 805
Other liabilities	26	1 664 888	623 201
Total liabilities		**283 904 981**	**183 103 390**
EQUITY:			
Share capital	27	2 416 918	1 574 654
Share premium	27	24 147 074	4 998
Treasury shares	27	(7 424 768)	–
Foreign currency translation reserve		40 733	18
Investments revaluation reserve		(364 379)	(58 009)
Written put option over own shares	5	(21 054 656)	–
Retained earnings	28	31 149 729	25 367 828
Total equity attributable to owners of the parent		**28 910 651**	**26 889 489**
Non-controlling interest		386 047	882 727
Total equity		**29 296 698**	**27 772 216**
Total liabilities and equity		**313 201 679**	**210 875 606**

The notes on pages 10-57 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended December 31, 2011
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		8 578 295	6 237 881
Adjustments for:			
Net change in interest accruals		(1 286 049)	(184 541)
Depreciation and amortization charge	20, 21	1 050 744	525 490
Fair value adjustment on financial assets at fair value through profit or loss		803 079	52 939
Interest expense on written put option on own shares	5	734 545	–
Gain from revaluation of previously held equity interest in the acquiree		(558 613)	–
Loss on disposal of investments available-for-sale		306 885	–
Other provisions		(52 203)	772
Share of profits of associates		(47 808)	(30 192)
Unrealized (gain)/loss on foreign exchange operations		(3 326)	1 838
Net loss on disposal of property and equipment and intangible assets		(12 573)	103 552
Reversal of provision on investments held-to-maturity		–	(6 839)
Gain on disposal of non-current assets held for sale	23	–	(2 299)
Cash flows from operating activities before changes in operating assets and liabilities		**9 512 976**	**6 698 601**
Changes in operating assets and liabilities:			
Due from financial institutions		15 383 272	2 248 233
Financial assets at fair value through profit or loss		(15 084 609)	(4 028 716)
Central counterparty financial assets		1 467 537	1 081 416
Other assets		(755 338)	408 304
Balances of market participants		22 763 321	(27 116 750)
Central counterparty financial liabilities		(1 467 537)	(1 081 416)
Other liabilities		(1 547 529)	2 274 373
Cash flows from/(used in) operating activities before taxation		30 272 093	(19 515 955)
Income tax paid		(2 283 866)	(1 470 750)
Cash flows from/(used in) operating activities		**27 988 227**	**(20 986 705)**
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Purchase of investments available-for-sale		(49 152 980)	(10 529 365)
Proceeds from disposal of investments available-for-sale		27 980 493	–
Acquisition of subsidiaries, net of cash acquired	5	(1 465 002)	5 612
Purchase of investments held-to-maturity		(26 183)	(52 978)
Proceeds from redemption of investments held-to-maturity		839 241	–
Purchase of property and equipment and intangible assets		(588 585)	(684 313)
Proceeds from disposal of property and equipment and intangible assets		42 724	68 110
Purchase of investments in associates		(342 272)	–
Proceeds from disposal of non-current assets held for sale	23	–	438 210
Reorganization of the Group		–	(177 619)
Cash flows used in investing activities		**(22 712 564)**	**(10 932 343)**

Consolidated Statement of Cash Flows for the Year Ended December 31, 2011 (Continued)
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Acqusition of treasury shares		(4 686 453)	–
Dividends paid		(1 258 061)	(272 088)
Loans payable		1 188 296	–
Acquisition of non-controlling interest in subsidiaries		(11 325)	–
Cash flows used in financing activities		**(4 767 543)**	**(272 088)**
Effect of changes in foreign exchange rates on cash and cash equivalents		4 859 441	1 143 873
Net increase/(decrease) in cash and cash equivalents		**5 367 561**	**(31 047 263)**
Cash and cash equivalents, beginning of year	13	**160 462 572**	**191 509 835**
Cash and cash equivalents, end of year	13	**165 830 133**	**160 462 572**

Interest received by the Group during the year ended December 31, 2011, amounted to RUB 6 391 754 thousand (December 31, 2010: 3 220 282 thousand).

Interest paid by the Group during the year ended December 31, 2011, amounted to RUB 52 241 thousand (December 31, 2010: RUB 1 772 thousand).

MICEX-RTS GROUP

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2011
(in thousands of Russian rubles)

	Notes	Share capital	Share premium	Treasury shares	Written put option over own shares	Investments revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
December 31, 2009		**1 399 704**	**4 998**	**–**	**–**	**–**	**–**	**19 587 084**	**20 991 786**	**2 254 391**	**23 246 177**
Net profit		–	–	–	–	–	–	4 436 476	4 436 476	389 787	4 826 263
Other comprehensive income		–	–	–	–	(58 009)	18	–	(57 991)	–	(57 991)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(58 009)**	**18**	**4 436 476**	**4 378 485**	**389 787**	**4 768 272**
Transactions with owners of the Group											
Dividends declared	28	–	–	–	–	–	–	(247 214)	(247 214)	(24 874)	(272 088)
Reorganization of the Group	27	174 950	–	–	–	–	–	1 591 482	1 766 432	(1 944 051)	(177 619)
Acquisition of subsidiary	5	–	–	–	–	–	–	–	–	207 474	207 474
Total transactions with owners of the Group		**174 950**	**–**	**–**	**–**	**–**	**–**	**1 344 268**	**1 519 218**	**(1 761 451)**	**(242 233)**
December 31, 2010		**1 574 654**	**4 998**	**–**	**–**	**(58 009)**	**18**	**25 367 828**	**26 889 489**	**882 727**	**27 772 216**
Net profit		–	–	–	–	–	–	6 699 931	6 699 931	(3 167)	6 696 764
Other comprehensive income		–	–	–	–	(306 370)	40 715	–	(265 655)	47 137	(218 518)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(306 370)**	**40 715**	**6 699 931**	**6 434 276**	**43 970**	**6 478 246**
Transactions with owners of the parent											
Dividends declared and other distributions to shareholders	28	–	–	–	–	–	–	(1 257 929)	(1 257 929)	(132)	(1 258 061)
Reorganization of the Group	27	323 582	–	–	–	–	–	339 899	663 481	(674 806)	(11 325)
Dividends paid by own shares	27	162 678	(162 678)	–	–	–	–	–	–	–	–
Merger with RTS	5	356 004	24 304 754	–	(21 054 656)	–	–	–	3 606 102	134 288	3 740 390
Repurchase of own shares	27	–	–	(7 424 768)	–	–	–	–	(7 424 768)	–	(7 424 768)
Total transactions with owners of the parent		**842 264**	**24 142 076**	**(7 424 768)**	**(21 054 656)**	**–**	**–**	**(918 030)**	**(4 413 114)**	**(540 650)**	**(4 953 764)**
December 31, 2011		**2 416 918**	**24 147 074**	**(7 424 768)**	**(21 054 656)**	**(364 379)**	**40 733**	**31 149 729**	**28 910 651**	**386 047**	**29 296 698**

The notes on pages 10-57 form an integral part of these consolidated financial statements.

1. Organization

Open Joint-Stock Company MICEX-RTS (MICEX-RTS) is a stock exchange based in Moscow, Russian Federation. It was established as closed joint-stock company "Moscow Interbank Currency Exchange" (MICEX) in 1992. In December 2011 MICEX-RTS was reorganized into the form of open joint-stock company and renamed.

The legal address of MICEX-RTS: 13 Bolshoy Kislovsky per., Moscow, the Russian Federation.

MICEX-RTS conducts its business under the following licences:

- Licence No. VB-01/92 issued by the Central Bank of the Russian Federation (the CBR) on July 15, 1992, for the organization of sale-and-purchase operations in foreign currency traded for rubles and performance of settlements for the concluded deals;
- Addendum No.1 to Licence No. VB-01/92, dated March 10, 1998, issued by the CBR for the organization of sale-and-purchase operations in foreign currency traded for other foreign currencies and performance of settlements for the concluded deals;
- Licence No. 077-05870-000001 issued by the Federal Service for Financial Markets (the FSFM) on February 26, 2002, for the organization of trade in the securities market (stock market);
- Licence No. 077-05869-000010 issued by the FSFM on February 26, 2002, for clearing activities (stock market);
- Licence No. 105 of March 17, 2000, issued by the Commission for Commodity Exchange under the Russian Federation Ministry for Antimonopoly Policy and Support of Entrepreneurship to organize exchange trading in the Derivatives (Standard Contracts) Market Section in the Russian Federation;
- Addendum to Licence No. 105, dated September 18, 2001, issued by the Commission for Commodity Exchange under the Russian Federation Ministry for Antimonopoly Policy and Support of Entrepreneurship to organize exchange trading in the Russian Federation in the following commodity sections: electric power, energy carriers (oil and oil-products, gas and gas condensates), ferrous/non-ferrous metals and alloys, construction materials, timber, crops, grain legumes, industrial crops, agricultural products, pharmaceuticals, hydroponic cultures;
- Licence No. 077-13641-000001 dated October 20, 2011, issued by the FSFM to organise stock exchange trading in the Russian Federation.

MICEX-RTS Group ("the Group") is an integrated exchange structure that provides electronic trade organization, clearing and settlements on trades, custodial and information services. The Group offers trading, clearing and settlement services on the following financial market segments: foreign currencies exchange market, government securities and money market, market of derivative financial instruments, equities market, corporate and regional bonds market, commodities market, government and municipal procurement market.

(in thousands of Russian rubles, unless otherwise indicated)

1. Organization (continued)

MICEX-RTS is the parent company of the Group, which includes the following entities:

Name	Principal activities	December 31, 2011 Voting rights, %	December 31, 2010 Voting rights, %
CJSC MICEX Stock Exchange (MICEX SE)	Stock exchange operations	99.998%	12.16%
NCO CJSC National Settlement Depository (NSD)	Depository, clearing and settlement services	99.997%	99.96%
CJSC National Clearing Center (NCC)	Banking and clearing operations	100%	100%
CJSC Clearing Center RTS (CC RTS)	Clearing services	100%	–
Non-banking Credit Organisation Settlement Chamber RTS CJSC (SC RTS)	Settlement services	100%	–
CJSC Depository Clearing Company (DCC)	Depository services	97.76%	–
Open Joint-Stock Company “Evraziyskaia Trading System” Commodity Exchange (ETS)	Commodity exchange operations	61.32%	–
LLC Technical Center RTS (TechCenter)	Technical support of exchange activities	100%	–
CJSC MICEX – Ural Region Regional Exchange Center (MICEX – Ural Region)	Exchange activities	100%	100%
CJSC MICEX – Volga Region Regional Exchange Center (MICEX – Volga Region)	Exchange activities	100%	100%
LLC MICEX Finance (MICEX Finance)	Financial activities	100%	–
MICEX (CYPRUS) LIMITED (MICEX (CYPRUS) LTD)	Financial activities	100%	–
LLC E-Stock (E-Stock)	IT services	100%	99%
CJSC MICEX-Information Technologies (MICEX-IT)	IT services, operator of electronic trading platform	100%	100%
CJSC PFTS Stock Exchange (PFTS SE)	Stock exchange operations	50.02%	50.02%

MICEX SE provides services for Stock Market Sections of the Group. MICEX SE was established by CJSC MICEX in December 2003 with the purpose of organizing the stock exchange services of the Group. At the date of MICEX SE incorporation 100% of its shares were held by CJSC MICEX. In 2004 CJSC MICEX’s share in MICEX SE was reduced to 12.7% in order to comply with requirements of the regulatory bodies of Russian Federation regarding stock exchange business which implied maximum ultimate ownership of each shareholder equal to 20%. CJSC MICEX and MICEX SE have been controlled by the Russian Federation and had common major shareholders, Executive Boards and the Boards of Directors In 2011 the Group purchased 87.3% shares of MICEX SE in a share-for-share exchange (Note 27).

NSD provides depository, clearing and settlement services. NSD has a license to perform depository activities, a license to perform clearing activities issued by the FSFM, and a license to perform settlement services issued by the CBR. In 2010 CJSC National Depository Center merged with NCO CJSC MICEX Settlement House (Note 27). Simultaneously NCO CJSC MICEX Settlement House was renamed as CJSC National Settlement Depository. As a result of the merger, NSD became legal successor of all the rights and obligations of CJSC National Depository Center.

NCC provides clearing services for Currency Market Section of the Group. NCC has a license to perform clearing activities issued by the FSFM.

E-Stock and MICEX-IT provide IT services to MICEX-RTS clients.

PFTS SE is a stock exchange, which has a stock exchange license and facilitates spot trading.

MICEX Finance and MICEX (CYPRUS) LTD are established for providing financial activities of the Group.

In 2011 the Group obtained control over Open Joint-Stock Company RTS Stock Exchange (RTS) and its subsidiaries (Note 5).

(in thousands of Russian rubles, unless otherwise indicated)

1. Organization (continued)

CC RTS provides clearing services for Derivative Market and Stock Market Sections of the Group. CC RTS has a license to perform clearing activities issued by the FSFM.

SC RTS provides settlement services to trading participants involved in trading on MICEX-RTS. SC RTS is a non-banking credit institution. SC RTS has a licence to perform settlement services issued by the CBR.

DCC provides depository, clearing and settlement services. DCC has licenses to perform depository and clearing activities issued by the FSFM.

TechCenter provides information and technical services to MICEX-RTS clients.

ETS is a commodity exchange, which has a license for organisation of trading in commodities.

MICEX-RTS and all subsidiaries are located in Russia, except for ETS, PFTS SE and MICEX (CYPRUS) LTD.

ETS is located in Kazakhstan, PFTS SE is located in Ukraine and MICEX (CYPRUS) LTD is registered in Cyprus.

The Group has 1 691 employees as at December 31, 2011 (December 31, 2010: 1 265 employees).

As at December 31, 2011 and 2010, the following shareholders owned voting shares of MICEX-RTS:

	December 31, 2011 %	December 31, 2010 %
The CBR	21.60	36.82
NSD (nominee holder)	16.05	0.00
CJSC Depository Clearing Company (nominee holder)	10.94	0.00
CJSC UniCredit Bank	8.75	11.38
State Corporation Bank of development and external economic activity (Vnesheconombank)	7.95	10.27
Joint Stock Commercial Savings Bank of the Russian Federation Sberbank (Open Joint Stock Company)	5.67	6.74
OJSC VTB Bank	5.35	6.96
OJSC Gazprombank	4.78	5.99
Joint Stock Commercial Bank EUROFINANCE MOSNARBANK (nominee holder)	2.61	5.84
CJSC ING Bank Eurasia (nominee holder)	1.74	0.00
Other	14.56	16.00
Total	**100.00**	**100.00**

Entities controlled by the Russian Federation together hold more than 40% (December 31, 2010: more than 60%) of voting shares of MICEX-RTS. Accordingly, the Russian Federation exercises significant influence (December 31, 2010: control) over MICEX-RTS.

The total number of market participants as at December 31, 2011 and 2010, consists of:

	December 31, 2011 (unaudited)	December 31, 2010 (unaudited)
Stock market	773	650
Currency market	594	596
Money market	452	432
Government securities market	321	296
Derivatives Market	258	164
Total	**2 398**	**2 138**

1. Organization (continued)

Clients of the Group must meet the qualitative and quantitative qualification requirements that in order to obtain Exchange Member status and participate in trading directly. Due to these requirements the Client base primarily consists of professional market participants, namely banks and investment companies that have licences for professional market participation on appropriate markets and licences for broker, dealer and/or securities management activities and meet special requirements established by the Group. Other legal entities and individuals may participate in trading as customers of Exchange Members.

These consolidated financial statements were authorized for issue by the Board of Directors of MICEX-RTS on April 6, 2012.

2. Basis of Presentation

Statement of compliance

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

Basis of presentation

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

These consolidated financial statements are presented in thousands of Russian rubles, unless otherwise indicated. These consolidated financial statements have been prepared on the historical cost basis except for certain financial assets that are measured at fair value.

MICEX-RTS and its subsidiaries registered in the Russian Federation maintain their accounting records in accordance with Russian Accounting Standards ("RAS"). Foreign subsidiaries of the Group maintain their accounting records in accordance with the accounting standards of the countries in which they operate. These consolidated financial statements have been prepared on basis of the statutory accounting records and have been adjusted to conform to IFRS.

Inflation accounting

The Russian economy was considered hyperinflationary until December 31, 2002. As such, the Group applied IAS 29 "*Financial Reporting in Hyperinflationary Economies*". The effect of applying IAS 29 is that non-monetary items, including components of equity, were restated to the measuring units current at December 31, 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

3. Significant Accounting Policies

Basis for consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

3. Significant Accounting Policies (continued)

Basis for consolidation (continued)

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interest that presents ownership interests and entitles their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. Significant Accounting Policies (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to the shareholders' equity.

These consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually (as at December 31), or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Group.

Non-controlling interest is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from equity attributable to the parent.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and fair value of the consideration paid or received is recognised directly in equity attributed to the parent.

3. Significant Accounting Policies (continued)

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in the consolidated income statement, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Recognition of revenue

Commission income

Commissions are recognized when services are provided.

Recognition of interest income

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset has been written down as a result of impairment, interest income is thereafter recognized using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

Interest earned on central counterparty financial assets is presented net of interest expense incurred in respect of the offsetting financial liabilities within gains or losses on financial assets carried at fair value.

Interest earned on other assets at fair value and at amortised cost is presented within interest income.

Recognition of dividend income

Dividend income is recognized on the ex-dividend date (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and deposit accounts with banks with maturity up to one business day (with respect to December 31, 2011 and 2010, respectively, to January 11, 2012 and 2011, due to Russian statutory holidays). Amounts that are subject to restrictions on their availability, including minimum reserve deposits with the CBR, are not included in cash and cash equivalents.

Financial assets

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

3. Significant Accounting Policies (continued)

Financial assets (continued)

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend earned on the financial asset and is included in the 'other operating income' line item in the consolidated income statement. Fair value is determined in the manner described in Note 32.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. HTM investments are measured at amortised cost using the effective interest method less any impairment.

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

Available-for-sale financial assets

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

AFS investments held by the Group are traded in an active market and are stated at fair value. The Group also holds shares that are not traded in active market which are also classified as available-for-sale and are stated at fair value (as Management believes that it is possible to reliably estimate fair value of these instruments). Fair value of investments is determined in the manner described in Note 32. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. If an investment is disposed of or is determined to be impaired, cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

3. Significant Accounting Policies (continued)

Financial assets (continued)

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

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

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans, receivables and investments held-to-maturity, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

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

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

3. Significant Accounting Policies (continued)

Financial assets (continued)

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

Offsetting of financial assets

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Central counterparty financial assets and liabilities

NCC acts as a central counterparty (CCP) and guarantees settlements of certain currency exchange transactions. Receivables and liabilities on such deals that may be offset against a clearing member are reported net in accordance with IAS 32 and are recognized in the consolidated statement of financial position at the net fair value based on daily settlement prices.

CC RTS acts as the CCP for all transactions involving futures and options on the FORTS market, all transactions on the Standard markets and certain transactions on the Classic market. As a CCP, the Group guarantees the settlement of transactions for market participants.

Sales and purchases of securities and currency via the CCP are recognised and simultaneously derecognised at the settlement date.

For the products that are marked to market the Group recognises gains and losses on open positions of clearing members on each exchange day. The variation margin is used to settle gains and losses on open positions resulting from market price fluctuations on a daily basis. The variation margin does not comprise collateral as it is a daily offsetting of gains and losses in cash. Products that are marked to market are therefore not reported in the consolidated statement of financial position.

Receivables and payables under repurchase transactions (repo) are classified as held for trading and carried at fair value.

Collateral of central counterparty

As the Group guarantees the settlement of certain traded contracts, it has established a multi-level collateral system. The central pillar of the collateral system is the daily determination of the overall risk per clearing member (margin) to be covered by cash and securities collateral.

Securities collateral is not derecognised by the clearing member providing the collateral. As the transfer of securities does not meet the conditions for derecognition, the securities are not recognised as assets.

In addition to these daily collateral payments, each clearing member must make contributions to the risk-covering fund which is described in Note 24.

Financial liabilities and equity instruments issued

Classification as debt or equity

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

3. Significant Accounting Policies (continued)

Financial liabilities and equity instruments issued (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities classified as 'at FVTPL' include CCP financial liabilities.

Other financial liabilities

Other financial liabilities, including banks deposits and balances of market participants, loans payable, distributions payable to holders of securities and other liabilities, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Distributions payable to holders of securities comprise dividends and coupon amounts received by the Group from the issuers of securities on behalf of customers of the Group, for which the Group also provides depository services. The normal settlement period for distribution of dividends and coupon amounts to its customers is five days. Amounts of dividends and coupons payable to clients are stated at their contractual values. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Property and equipment

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

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

	2011	**2010**
Buildings and other real estate	2%	2%
Furniture and equipment	20%	20%

3. Significant Accounting Policies (continued)

Property and equipment (continued)

Freehold land is not depreciated.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis at the following annual rates:

	2011	2010
Software and licences	10%-100%	25%

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis at the following annual rates:

	2011	2010
Client base	4%	4%

Internally developed intangible assets

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalised and an internally generated intangible asset is recognised only if it is probable that it will generate economic benefits exceeding costs beyond one year and the development costs can be measured reliably. An internally generated intangible asset is recognised only if the Group has the technical feasibility, resources and intention to complete the development and to use the product. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Derecognition of intangible assets

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

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

3. Significant Accounting Policies (continued)

Taxation (continued)

Operating taxes

Countries where the Group operates also have various other taxes, which are assessed on the Group’s activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Contingencies

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

Fiduciary activities

The Group provides custodial services to its customers which include transactions with securities on their custody accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group’s consolidated financial statements. The Group accepts the operational risk on these activities, but the Group’s customers bear the credit and market risks associated with such operations. Revenue for provision of trustee services is recognized as services are provided.

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RUB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(in thousands of Russian rubles, unless otherwise indicated)

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

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

	December 31, 2011	December 31, 2010
RUB/1 USD	32.1961	30.4769
RUB/1 EUR	41.6714	40.3331
RUB/1 UAH	4.00549	3.82828
RUB/10 KZT	2.16874	2.06791

Equity reserves

The reserves recorded in equity at the Group's consolidated statement of financial position include:

- Investments revaluation reserve which comprises changes in fair value of investments available-for-sale;
- Foreign currency translation reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations, less hedging, if any.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary and preference shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary and preference shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary and preference shareholders and the weighted average number of ordinary and preference shares outstanding for the effects of all dilutive potential ordinary and preference shares.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating and financial results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As at December 31, 2011, the Group comprised a single operating segment.

Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on December 31, 2011.

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years except for adoption of Amendment to IAS 24 Related party Disclosures effective January 1, 2011.The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

3. Significant Accounting Policies (continued)

Adoption of new and revised standards (continued)

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

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments — Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 32 *Financial Instruments: Presentation*
- IAS 34 *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)
- IFRIC 14 *Prepayments of a Minimum Funding Requirement*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

New and revised IFRSs in issue but not yet effective

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

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

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

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

IAS 12 Income Taxes – Deferred tax: Recovery of underlying assets

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after January 1, 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Group now evaluates the impact of the adoption of these amendments.

3. Significant Accounting Policies (continued)

New and revised IFRSs in issue but not yet effective (continued)

Amendments to IAS 19 Employee Benefits

The IASB has published amendments to IAS 19 *Employee Benefits*, effective for annual periods beginning on or after January 1, 2013, which proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. The Group expects that these amendments will have no impact on the Group's financial position.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Group expects that adoption of IFRS 11 will have no effect on its financial position and performance.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

3. Significant Accounting Policies (continued)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

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

Written put option over own shares

Financial liabilities of the Group include a put option on the Group's shares written according to the framework agreement. The option was granted by the Group to certain former shareholders of RTS as a part of the merger with RTS (refer to Note 5). The option gives its holders the right to put the Group's shares back to the Group for cash:

- in July 2013 in the case if the Group has not conducted an IPO by June 30, 2013, and MICEX stock index and FTSE Mondo Visione Exchanges index have not fallen by 30% or more after the merger date;
- In October 2014, if the option has not been exercised in July 2013 and the Group has not conducted an IPO by September 30, 2014.

Because the put option requires the Group to deliver cash in the event of occurrence or non-occurrence of uncertain future events that are beyond control of both the Group and the holders of the option, in accordance with IAS 32 "Financial Instruments: Presentation" the option is classified as a financial liability and is carried at the net present value of its strike price. For the purpose of calculation of the net present value, Management assumed that the option could be exercised in July 2013 and has used the discount rate of 7%. Unwinding of the discount is recorded as interest expense in a separate line of the consolidated income statement.

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

Critical judgements in applying accounting policies (continued)

Held-to-maturity financial assets

The Management has reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. Details of these assets are set out in Note 18.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of receivables

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

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

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. As at December 31, 2011, the gross receivables totalled RUB 602 251 thousand (December 31, 2010: RUB 397 176 thousand) and allowance for impairment losses amounted to RUB 8 734 thousand (December 31, 2010: RUB 7 173 thousand).

Valuation of financial instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

Impairment of goodwill

Goodwill is tested for impairment annually (as at December 31) and when there is indication that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(in thousands of Russian rubles, unless otherwise indicated)

5. Business Combinations

MICEX-RTS merger

On June 29, 2011, the Group obtained control over Open Joint-Stock Company RTS Stock Exchange (RTS) and its subsidiaries (together – RTS Group). RTS Group was specialising in stock exchange services, including trading, settlement and clearing, depository, and technical support services. As a result of the transaction the Group acquired the following subsidiaries of RTS: CJSC Clearing Center RTS, Non-banking Credit Organisation Settlement Chamber RTS CJSC, CJSC Depository Clearing Company, Open Joint-Stock Company "Evraziyskaia Trading System" Commodity Exchange, LLC Technical Center RTS, and obtained significant influence over the associate of RTS, Open Joint-Stock Company "Ukrainian Exchange".

The acquisition is expected to provide the Group with an increased share of the cash and derivative market through access to the acquiree's patented technology and customer base. The Group also expects to decrease costs through economies of scale and reducing excessive services.

On June 29, 2011, RTS, CJSC MICEX and a majority of RTS shareholders signed a framework agreement in relation to a merger of the businesses of MICEX and RTS. Under the terms of transaction RTS shareholders had a right to sell up to 35% of their stakes to the Group and convert the remaining stake to the Group's shares at fixed ratio. The deal was approved by extraordinary general meetings of MICEX and RTS shareholders on August 5, 2011, and approved by the Federal Antimonopoly Service of the Russian Federation (FAS) on September 9, 2011. In October the Group repurchased RTS shares from those RTS shareholders who voted against the transaction. MICEX and RTS have legally merged on December 19, 2011.

Based on the framework agreement since June 29, 2011, management of RTS should not perform actions other than those required for running as a going concern in line with the RTS budget unless otherwise agreed with MICEX. Former RTS shareholders have no rights to govern financial and operating policies of RTS since June 29, 2011. As at June 29, 2011, the Group expected that the required approvals by extraordinary general meetings and the FAS would be obtained and the transaction would be completed with a high degree of certainty. Based on that June 29, 2011, is defined as an acquisition date and all transactions of RTS Group are included into these consolidated financial statements since this date.

Under the framework agreement RTS Group was obliged to purchase assets representing business of information and technical support of RTS clients, including 100% stake of TechCenter, PLAZA trading system and domain name RTS.RU from a related party. These transactions are treated as part of the business combination. The 100% stake of TechCenter was transferred to the Group in 2011. Among other assets acquired the Group recognized rights to receive PLAZA trading system at RUB 150 000 thousand at the acquisition date (ownership rights over PLAZA are in the process of being transferred to the Group).

Under the framework agreement the Group granted to RTS Shareholders a put option in relation to the Group's shares received by RTS shareholders as a result of the deal.

The following summarizes the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Consideration transferred

	Note	
Cash paid		8 875 680
Ordinary shares with no put option granted (59 119 392 ordinary shares)	27	3 606 102
Ordinary shares with put option granted (296 884 467 ordinary shares)	27	21 054 656
Total		**33 536 438**

The fair value of the ordinary shares with no put option was estimated based on the results of an independent appraisal at June 29, 2011.

(in thousands of Russian rubles, unless otherwise indicated)

5. Business Combinations (continued)

MICEX-RTS merger (continued)

In accordance with IAS 32 *Financial Instruments: Presentation*, the net present value of the strike price of the put option granted to RTS shareholders is deducted from equity and recognised as a financial liability. The exercise of the put option is conditional on non-occurrence of future events, including the Group's IPO, which are outside control of the Group. If the Group conducts an IPO before June 30, 2013, for an amount of at least RUB 9 000 000 thousand, the put option would lapse and the amount recognised as a financial liability in respect of the put option would be recorded as an increase in the Group's equity. Interest expense of RUB 734 545 thousand in respect of this option was recognised in profit or loss for the year ended December 31, 2011 (December 31, 2010: nil). Acquisition-related costs incurred to effect the business combination include legal and due diligence costs of RUB 297 948 thousand, staff costs of RUB 270 000 thousand, other administrative expense of RUB 4 354 thousand.

From the date of acquisition the subsidiary has contributed RUB 2 866 933 thousand of fee income, interest income and other income and RUB 315 617 thousand of profit.

If the acquisition had occurred on January 1, 2011, fee income, interest income and other income for the year would have been RUB 20 160 842 and the profit for the year would have been RUB 7 420 394 thousand. In determining these figures it has been assumed that the fair value adjustments at January 1, 2011, would have been the same as the fair value adjustments that arose on the date of acquisition.

The amounts of assets and liabilities of the acquired subsidiary recognised in the Group's consolidated financial statements were as follows at the date of acquisition:

ASSETS	
Cash and cash equivalents	7 410 678
Financial assets at fair value though profit or loss	10 491 647
Due from financial institutions	28 389 017
Central counterparty financial assets	3 545 906
Investments avaliable-for-sale	207 990
Investments in associates	129 964
Property and equipment	425 330
Intangible assets	19 635 424
Deferred tax asset	42 987
Current tax prepayments	17 069
Other assets	178 400
Total assets	**70 474 412**
LIABILITIES AND EQUITY	
Balances of market participants	39 237 023
Loans payable	1 246 409
Central counterparty financial liabilities	3 545 906
Deferred tax liability	3 865 254
Current tax payables	98 127
Other liabilities	2 238 819
Total liabilities	**50 231 538**
Net identifiable assets and liabilities	**20 242 874**
Non-controlling interest	(134 288)
Fair value of previously held equity interest in the acquiree	(2 542 500)
Goodwill on acquisition	15 970 352
Consideration transferred	**33 536 438**
Cash flow on acquisition	
Consideration paid by cash	8 875 680
Cash acquired with the subsidiary	(7 410 678)
Net of cash acquired (included in cash flows from investing activities)	**1 465 002**
Transaction costs of the acquisition (included in cash flows from operating activities)	556 014
Net cash outflow	**2 021 016**

(in thousands of Russian rubles, unless otherwise indicated)

5. Business Combinations (continued)

MICEX-RTS merger (continued)

The Group has elected to measure the non-controlling interest in the acquiree at the non-controlling interests's proportionate share of the acquiree's identifiable net assets.

In the line "Net gain on investments available-for-sale" (Note 8) the Group recognised a gain of RUB 558 613 thousand as a result of remeasuring to fair value the equity interest in RTS held by the Group before the business combination.

Gross contractual amount of acquired receivables with fair value of RUB 97 576 thousand (included in other assets) is RUB 98 494 thousand. The difference of RUB 918 thousand represents provision created for receivables, not expected to be collected.

The goodwill is attributable mainly to the strong position of RTS in derivatives, growth prospects in production and sale of derivatives, skills and technical talent of the work force, and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisitions made in 2010

As at April 30, 2010, the Group acquired additional issue of 1 601 ordinary shares of CJSC PFTS Stock Exchange at a price of RUB 189.89557 per share in 2010 which gave 50.02% share in the company.

Assets acquired and liabilities recognized at the date of acquisition of CJSC PFTS Stock Exchange were as follows:

Cash and cash equivalents	309 635
Accounts receivable	5 957
Prepaid expense	429
Investments available-for-sale	4 755
Property and equipment	10 564
Intangible assets	83 742
Other liabilities	(4)
Net assets	**415 078**
Share in net assets acquired	50.02%
Share in net assets acquired	207 604

Goodwill on the acquisition

Consideration transferred	304 023
Plus: Non-controlling interest	207 474
Less: Fair value of identifiable net assets acquired	(415 078)
Total	**96 419**

The Group has elected to measure the non-controlling interest in the acquiree at the non-controlling interests's proportionate share of the acquiree's identifiable net assets.

The Group recognized goodwill of RUB 96 419 thousand on the acquisition of CJSC PFTS Stock Exchange that stands for opportunities for the Group to enter the Ukraine stock exchange market. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill for this purchase is not deductible for tax purposes.

(in thousands of Russian rubles, unless otherwise indicated)

5. Business Combinations (continued)

Net cash inflow on acquisition of shares of CJSC PFTS Stock Exchange

	Year ended December 31, 2010
Cash consideration paid	(304 023)
Less: cash and cash equivalents acquired	309 635
Total	**5 612**

Impact of the acquisition on the Group's financial results

CJSC PFTS Stock Exchange contributed RUB 27 151 thousand from the date of acquisition to December 31, 2010, to commission income, RUB 34 510 thousand to interest income, RUB 554 thousand to the net profit for the year.

Had this business combination been effected at January 1, 2010, the following amounts would have been recognized in the consolidated income statement for the year ended December 31, 2010, on operations of CJSC PFTS Stock Exchange: commission income of RUB 33 659 thousand, interest income of RUB 34 544 thousand, net profit of RUB 568 thousand.

6. Fee and Commission Income

	Year ended December 31, 2011	Year ended December 31, 2010
Stock market	4 838 057	4 285 150
FX and money markets	1 887 803	1 214 562
Depositary and settlement services	1 775 937	1 765 837
Derivative market	804 131	21 220
Information services	279 405	155 944
Sale of software and technical services	212 034	41 688
Other	153 610	284 409
Total fee and commission income	**9 950 977**	**7 768 810**

7. Interest Income

	Year ended December 31, 2011	Year ended December 31, 2010
Interest income on financial assets at fair value through profit or loss	**3 039 238**	**1 235 377**
Interest income on financial assets other than at fair value through profit or loss		
Interest on due from financial institutions	2 700 131	1 645 429
Interest income on investments available-for-sale	1 813 070	324 724
Interest on investments held-to-maturity	163 899	201 065
Total interest income on financial assets other than at fair value through profit or loss	**4 677 100**	**2 171 218**
Total interest income	**7 716 338**	**3 406 595**

(in thousands of Russian rubles, unless otherwise indicated)

8. Net Loss on Financial Assets Carried at Fair Value

	Year ended December 31, 2011	Year ended December 31, 2010
Net gain on investments available-for-sale	267 454	–
Net loss on financial assets at fair value through profit or loss	(1 124 220)	(78 064)
Total net loss on financial assets carried at fair value	**(856 766)**	**(78 064)**

9. Other Operating Income

	Year ended December 31, 2011	Year ended December 31, 2010
Income from lease	40 033	17 580
Gain on disposal of property, equipment and intangible assets	8 100	–
Other income	28 853	3 753
Total other operating income	**76 986**	**21 333**

10. Administrative and Other Operating Expenses

	Year ended December 31, 2011	Year ended December 31, 2010
Professional services	1 116 092	688 093
Amortisation of intangible assets	554 658	91 063
Rent and office maintenance	506 202	171 654
Depreciation of property and equipment	496 086	434 427
Market makers fees	311 274	22 070
Equipment and intangible assets maintenance	304 918	662 522
Advertising and marketing costs	280 683	101 146
Taxes, other than income tax	219 202	179 223
Business trip expenses	65 287	56 134
Security expenses	24 568	24 703
Charity	22 588	28 181
Loss on disposal of property, equipment and intangible assets	2 049	103 552
Other	188 282	145 082
Total administrative and other operating expenses	**4 091 889**	**2 707 850**

Professional services comprise consulting, audit, IT services, information and telecommunication, insurance, legal services and other. Included into professional services are acquisition costs in respect the merger with RTS (Note 5).

(in thousands of Russian rubles, unless otherwise indicated)

11. Personnel Expenses

	Year ended December 31, 2011	Year ended December 31, 2010
Staff expenses	3 325 021	2 063 962
Payroll related taxes	272 670	131 283
Total personnel expenses	**3 597 691**	**2 195 245**

12. Income Tax

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate and which may differ from IFRS.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2011 and 2010, relate mostly to different methods of income and expense recognition, as well as to recorded values of certain assets.

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

Temporary differences as at December 31, 2011 and 2010, comprise:

	Consolidated statement of financial position		Consolidated income statement	
	Year ended December 31, 2011	**Year ended December 31, 2010**	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Tax effect from deductible temporary differences				
Financial assets at fair value through profit or loss	164 275	3 914	160 361	3 914
Financial assets available-for-sale	78 435	16 688	(2 186)	2 186
Property and equipment and intangible assets	23 280	672	15 408	(15 490)
Other assets	7 369	14 424	5 325	(219)
Tax loss carried forward	15 713	–	15 713	–
Other liabilities	47 759	18 076	29 683	11 143
Total tax effect from deductible temporary differences	**336 831**	**53 774**	**224 304**	**1 534**
Tax effect from taxable temporary differences:				
Investments in associates and assets available-for-sale	(34 046)	(8 466)	(25 580)	13 989
Financial assets at fair value through profit or loss	(4 700)	(362)	(4 338)	25 338
Property and equipment and intangible assets	(4 231 617)	(449 906)	80 289	(56 307)
Other assets	(5 476)	–	(5 476)	–
Other liabilities	(44 371)	(5)	(79 914)	5 544
Total tax effect from taxable temporary differences	**(4 320 210)**	**(458 739)**	**(35 019)**	**(11 436)**
Deferred tax income/(expense)			**189 285**	**(9 902)**
Deferred income tax assets	**246 983**	**30 916**		
Deferred income tax liabilities	**(4 230 362)**	**(435 881)**		

(in thousands of Russian rubles, unless otherwise indicated)

12. Income Tax (continued)

Reconciliation of income tax expense and accounting profit for the years ended December 31, 2011 and 2010, are explained below:

	Year ended December 31, 2011	Year ended December 31, 2010
Profit before income tax	**8 578 295**	**6 237 881**
Tax at the statutory tax rate (20%)	1 715 659	1 247 576
Non-deductible expenses for tax purposes	409 376	171 009
Non-taxable gain on previously held interest in an acquiree	(111 199)	–
Tax effect of income taxed at rates different from the prime rate	(132 305)	(6 967)
Income tax expense	**1 881 531**	**1 411 618**
Current income tax expense	2 070 816	1 401 716
Deferred taxation movement due to origination and reversal of temporary differences	(173 572)	9 902
Deferred taxation movement due to tax losses carried forward	(15 713)	–
Income tax expense	**1 881 531**	**1 411 618**

	Year ended December 31, 2011	Year ended December 31, 2010
As at January 1 – deferred tax assets	**30 916**	**8 870**
As at January 1 – deferred tax liabilities	**(435 881)**	**(418 430)**
Changes in deferred income tax balances recognized in other comprehensive income	76 593	14 497
Effect of movements in exchange rates	(22 025)	–
Deferred income tax liabilities arising from business combinations (Note 5)	(3 822 267)	–
Change in deferred income tax balances recognized in profit or loss	189 285	(9 902)
As at December 31 – deferred tax assets	**246 983**	**30 916**
As at December 31 – deferred tax liabilities	**(4 230 362)**	**(435 881)**

At December 31, 2011, the aggregate amount of temporary differences associated with investments in subsidiaries and associates for which deferred tax liability have not been recognized was RUB 10 728 147 thousand (December 31, 2010: RUB 2 747 604 thousand).

(in thousands of Russian rubles, unless otherwise indicated)

13. Cash and Cash Equivalents

	December 31, 2011	December 31, 2010
Balances with the CBR	55 773 895	60 723 725
Correspondent accounts and overnight deposits with banks:		
- Russian Federation	20 688 491	488 719
- Organization for Economic Cooperation and Development countries	89 048 889	99 226 694
- other countries	307 877	16 248
Cash on hand	10 981	7 186
Total cash and cash equivalents	**165 830 133**	**160 462 572**

As at December 31, 2011, the Group has balances with five counterparties each of which is greater than 10% of equity (December 31, 2010: three counterparties). The total aggregate amount of these balances is RUB 101 065 037 thousand or 61% of total cash and cash equivalents as at December 31, 2011 (December 31, 2010: RUB 97 091 820 thousand or 61% of total cash and cash equivalents).

As at December 31, 2011, guarantee and risk-covering funds (Note 24) are placed on current accounts with large OECD banks, the CBR and large Russian banks (Fitch credit rating BBB).

14. Financial Assets at Fair Value Through Profit or Loss

	December 31, 2011		December 31, 2010	
	Coupon rate, %	**Amount**	**Coupon rate, %**	**Amount**
Bonds issued by Russian Federation	3.92% - 12%	47 190 671	–	–
Bonds issued by Russian Federation subjects and Municipal bonds	–	–	6.98% - 10.4%	76 964
Bonds issued by the CBR	–	–	0%	20 151 276
Bonds issued by banks	–	–	7.2% - 8.1%	82 916
Other corporate debt securities	–	–	5.87% - 10.4%	1 237 483
Shares issued by Russian companies	–	68 096	–	–
Total financial assets at fair value through profit or loss		**47 258 767**		**21 548 639**

15. Due from Financial Institutions

	December 31, 2011	December 31, 2010
Interbank loans and term deposits	21 615 913	8 679 534
Short-term reverse repo receivable from financial institutions	538 961	–-
Mandatory cash balances with the CBR (restricted)	91 422	25 216
Receivables on broker and clearing operations	141	386 645
Total due from financial institutions	**22 246 437**	**9 091 395**

As at December 31, 2011, the fair value of bonds pledged under short-term reverse repo is RUB 597 575 thousand.

(in thousands of Russian rubles, unless otherwise indicated)

16. Central Counterparty Financial Assets and Liabilities

	December 31, 2011	December 31, 2010
Currency transactions	1 769 470	560 489
Repo transactions	869 388	–
Total central counterparty financial assets and liabilities	**2 638 858**	**560 489**

As at December 31, 2011, CCP financial assets are receivables under currency and repo transactions and CCP financial liabilities are payables under offsetting transactions, which the Group entered with market participants as a CCP. The fair value of securities purchased and sold by the Group under the above repo transactions is RUB 864 338 thousand.

As at December 31, 2011, none of these assets were past due (December 31, 2010: nil).

17. Investments Available-for-Sale

	December 31, 2011		December 31, 2010	
	Coupon rate, %	Amount	Coupon rate, %	Amount
Bonds issued by Russian banks	6.6% - 10.1%	10 635 800	1.48% - 13.5%	3 996 701
Bonds issued by Russian companies	6.35% - 14.75%	7 928 882	5.87% - 16.75%	4 395 728
Bonds issued by foreign companies	6.1% - 10.25%	4 875 733	–	–
Bonds issued by Russian Federation	6.1% - 11.9%	2 781 657	4.59% - 6.1%	387 635
Bonds issued by foreign banks	0% - 9.63%	1 899 158	–	–
Bonds issued by Russian Federation subjects and Municipal bonds	6.98% - 12.75%	1 486 710	6.50% - 13.25%	1 425 202
Shares issued by Russian companies	–	166 403	–	80 492
Shares issued by foreign companies	–	56 100	–	–
Bonds issued by CBR	–	–	3.6%	299 820
Total investments available-for-sale		**29 830 443**		**10 585 578**

18. Investments Held-to-Maturity

	December 31, 2011		December 31, 2010	
	Coupon rate, %	Amount	Coupon rate, %	Amount
Bonds issued by Russian Federation	6.1% - 11.9%	444 241	7.95% - 13.25%	596 221
Bonds issued by Russian Federation subjects and Municipal bonds	7.75%-12.75%	172 798	7.95% - 13.25%	413 418
Corporate bonds	6.35% - 7.6%	75 227	7% - 16.75%	555 113
Less allowance for impairment losses		–		–
Total investments held-to-maturity		**692 266**		**1 564 752**

The change in the allowance for impairment of investments held-to-maturity is reported in other operating expenses.

(in thousands of Russian rubles, unless otherwise indicated)

19. Investments in Associates

	December 31, 2011		December 31, 2010	
	Ownership interest	**Carrying value**	**Ownership interest**	**Carrying value**
CJSC Settlement Depository Company (SDC)	28.54%	513 998	28.54%	126 906
CJSC National Mercantile Exchange (NAMEX)	33.24%	20 554	33.24%	18 589
Open Joint-Stock Company “Ukrainian Exchange” (UEX)	43.08%	135 549	0.00%	–
Total investments in associates		**670 101**		**145 495**

A reconciliation of the carrying value of investments in associates as at December 31, 2011 and 2010, comprises:

At December 31, 2009	**114 253**
The Group's share in SDC financial results net of income tax	12 653
Reclassification of cost of shares of NAMEX from investments available-for-sale to investments in associated companies	1 050
Accumulated effect of application of equity method to investments in NAMEX as at January 1, 2010	16 796
The Group's share in NAMEX financial results net of income tax	743
At December 31, 2010	**145 495**
Investments in SDC	342 272
Acquisition of UEX	129 964
The Group’s share in UEX financial results net of income tax	1 023
Translation effect	4 562
The Group's share in SDC financial results net of income tax	44 817
The Group's share in NAMEX financial results net of income tax	1 968
At December 31, 2011	**670 101**

As at December 31, 2011, and for the year then ended, assets, liabilities, revenue and net profit of the associates are presented as follows:

				December 31, 2011
	Assets	**Liabilities**	**Revenue**	**Net profit**
SDC	3 949 274	2 180 897	214 669	157 016
NAMEX	96 858	34 989	38 865	5 942
UEX	123 870	16 547	74 165	2 374

As at December 31, 2010, and for the year then ended, assets, liabilities, revenue and net profit of the associates are presented as follows:

				December 31, 2010
	Assets	**Liabilities**	**Revenue**	**Net profit**
SDC	3 668 457	3 256 598	113 870	47 670
NAMEX	59 830	3 903	14 283	2 234

(in thousands of Russian rubles, unless otherwise indicated)

20. Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Total
December 31, 2009	**–**	**4 859 539**	**2 590 745**	**7 450 284**
Additions	104 354	8 973	293 480	406 807
Acquisition through business combination (Note 5)	–	–	10 564	10 564
Disposals	–	(4 008)	(165 408)	(169 416)
December 31, 2010	**104 354**	**4 864 504**	**2 729 381**	**7 698 239**
Additions	23 158	13 692	315 625	352 475
Acquisition through business combination (Note 5)	–	82 930	342 400	425 330
Disposals	–	(10 582)	(115 024)	(125 606)
Effect of movements in exchange rates	–	14 925	811	15 736
December 31, 2011	**127 512**	**4 965 469**	**3 273 193**	**8 366 174**
Accumulated depreciation				
December 31, 2009	**–**	**606 707**	**1 339 553**	**1 946 260**
Charge for the year	–	64 065	370 362	434 427
Disposals	–	–	(134 622)	(134 622)
December 31, 2010	**–**	**670 772**	**1 575 293**	**2 246 065**
Charge for the year	–	94 237	401 849	496 086
Disposals	–	(285)	(98 588)	(98 873)
Effect of movements in exchange rates	–	69	82	151
December 31, 2011	**–**	**764 793**	**1 878 636**	**2 643 429**
Net book value				
December 31, 2010	**104 354**	**4 193 732**	**1 154 088**	**5 452 174**
December 31, 2011	**127 512**	**4 200 676**	**1 394 557**	**5 722 745**

As at December 31, 2011, historical cost of fully depreciated property and equipment amounts to RUB 915 883 thousand (December 31, 2010: RUB 621 711 thousand).

(in thousands of Russian rubles, unless otherwise indicated)

21. Intangible Assets

	Software and licences	Client base	Rights to buy long-term land plot lease	Total
December 31, 2009	**642 192**	**193 594**	**58 581**	**894 367**
Acquisition through business combination (Note 5)	83 742	–	–	83 742
Additions	277 506	–	–	277 506
Disposals	(320 631)	–	(58 581)	(379 212)
December 31, 2010	**682 809**	**193 594**	**–**	**876 403**
Acquisition through business combination (Note 5)	325 424	19 310 000	–	19 635 424
Additions	236 110	–	–	236 110
Disposals	(14 046)	–	–	(14 046)
December 31, 2011	**1 230 297**	**19 503 594**	**–-**	**20 733 891**
Accumulated amortization				
December 31, 2009	**353 130**	**10 570**	**7 161**	**370 861**
Charge for the year	83 320	7 743	–	91 063
Disposals	(235 183)	–	(7 161)	(242 344)
December 31, 2010	**201 267**	**18 313**	–	**219 580**
Charge for the year	160 714	393 944	–	554 658
Disposals	(10 628)	–-	–	(10 628)
December 31, 2011	**351 353**	**412 257**	–	**763 610**
Net book value				
December 31, 2010	**481 542**	**175 281**	–	**656 823**
December 31, 2011	**878 944**	**19 091 337**	–	**19 970 281**

22. Goodwill

	Year ended December 31, 2011	Year ended December 31, 2010
As at January 1	**97 487**	**1 068**
RTS Group (Note 5)	15 970 352	–
CJSC PFTS Stock Exchange (Note 5)	–	96 419
Effect of movements in exchange rates	4 463	–
As at December 31	**16 072 302**	**97 487**

(in thousands of Russian rubles, unless otherwise indicated)

22. Goodwill (continued)

Impairment Tests for Goodwill

For the purposes of impairment testing, goodwill is allocated to the whole RTS-MICEX Group, which represents the lowest level at which the goodwill is monitored for internal management purposes.

The recoverable amount for the Group has been determined based on value-in-use calculations. Cash flows for years 2012 to 2015 are based on financial budgets approved by management. Cash flows from 2016 and into perpetuity are based on the estimated long term growth rates. Main assumptions used in cash flows projections are:

1) Macroeconomic assumptions:
   - Nominal GDP growth (assumed to be 11% for the four year period 2011 to 2015, external forecast);
   - Dynamics of foreign trade (growing 130% from 2011 to 2015, external forecast);
   - Volatility index (average value of volatility index assumed to be from 34 to 38);
   - Interest rates (average rates in period immediately before the budget period adjusted each year for anticipated change of inflation rate; inflation rate is based on external sources of information);
2) Discount rates reflect management’s estimate of return of capital employed (ROCE). This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The Group uses pre-tax nominal weighted average cost of capital of 17.1% as a discount rate.
3) Revenue and cost growth assumptions reflect current trends, anticipated market developments, discussions with customers and suppliers, and management’s experience. The main expectations relating to the business of the Group:
   - Group’s share of currency trading market will increase from 20% (2011) to 40% (2015);
   - Market capitalization to GDP ratio will increase from 58% to 63%;
   - Free float of Russian companies assumed to remain on 2011 level - 37%;
   - Derivative/spot trading ratio is expected to be within 1.98-2.09 range;
   - Average clients’ funds growth rates are based on past experience and varies through different products;
   - Trading volumes growth is based on changes of GDP, market capitalisation, oil prices, exchange rates.

As a result of independent appraisal the value-in use of the Group exceeds the net carrying amount of its assets and liabilities.

Management believes that reasonably possible changes in key assumptions used to determine the recoverable amount would not result in an impairment of goodwill.

23. Other Assets

	December 31, 2011	December 31, 2010
Other financial assets:		
Receivables on services rendered and other operations	602 251	397 176
Loans receivable from employees	18 916	–
Less allowance for impairment	(8 734)	(7 173)
Total other financial assets	**612 433**	**390 003**
Other non-financial assets:		
Prepaid expenses	784 945	87 147
Taxes receivable other than income tax	97 423	70 642
Other	7 165	9 277
Total other assets	**1 501 966**	**557 069**

(in thousands of Russian rubles, unless otherwise indicated)

23. Other Assets (continued)

Included in prepaid expenses as at December 31, 2011, are advances for services under the office building construction project for own use of RUB 435 705 thousand.

Loans receivable from employees comprise:

	December 31, 2011		December 31, 2010	
	Interest rate	**Amount**	**Interest rate**	**Amount**
Employees of MICEX-RTS with maturity in 2012 - 2015	9.0%	8 987	–	–
Employees of CC RTS with maturity in 2012 - 2015	9.0%	5 607	–	–
Employees of DCC with maturity in 2012 - 2014	9.0%	4 322	–	–

In June 2010 the Group disposed of non-current assets held for sale to a third party at a price of RUB 438 210 thousand. Gain on disposal of RUB 2 299 thousand was reported in other operating income for the period.

24. Balances of Market Participants

	December 31, 2011	December 31, 2010
Current and settlement accounts of participants	202 982 052	174 908 595
Guarantee fund	40 671 150	3 047 707
Risk-covering funds	1 782 308	458 982
Total balances of market participants	**245 435 510**	**178 415 284**

The guarantee fund comprises contributions deposited by market participants (initial or maintenance margin). The purpose of this fund is to support clearing settlements on the market and to cover risks arising from open positions of market participants, including operations of market participants, where the Group acts as a central counterparty. If an initial margin requirement exceeds the contribution made by a market participant in the guarantee fund, the participant is required to cover the deficit by depositing additional maintenance margin for the unsettled trades or to reduce the open position to an appropriate level. The guarantee fund amount is payable to a market participant when it closes its positions. The Group places guarantee fund amounts on current accounts and deposits with reputable banks or short-term repo receivables (Notes 13, 15).

Market participants also pledge traded securities of Russian companies to the guarantee fund as collateral for their obligations. These securities are blocked at the participants' custody accounts in DCC and NSD. These securities are not assets of the Group and are not recognised in the consolidated statement of the financial position.

The risk-covering fund comprises contributions deposited with CC RTS and NCC by market participants. The purpose of these funds is to provide additional insurance to the market participants in respect of the ability of the Group to guarantee proper settlements of open positions in case of a market participant default. The minimum contribution amount per one participant is determined by the Group management and it is approved by the Derivative Market Committee or the Currency Market Committee. Risk-covering funds amounts are only used to cover the deficit if a contribution to a guarantee fund made by a trading participant is not sufficient to cover its losses. The Group places cash received from the market participants in the risk-covering funds with top-rated banks (Notes 13, 15).

(in thousands of Russian rubles, unless otherwise indicated)

25. Loans Payable

	December 31, 2011	December 31, 2010
Amounts payable under direct repurchase agreement	2 507 405	–
Term deposits	53 700	72 710
Total loans payable	**2 561 105**	**72 710**

Amounts payable under direct repurchase agreement were repaid in January 2012. The Group pledged treasury shares as a collateral under the agreement (Note 27)

26. Other Liabilities

	December 31, 2011	December 31, 2010
Other financial liabilities:		
Payables to employees	383 211	91 373
Trade payables	321 266	53 529
Payables in respect of acquisition costs	144 288	–
Other payables resulted from acquisition of RTS Group	73 576	–
Financial liabilities at fair value through profit or loss	64 270	–
Total other financial liabilities	**986 611**	**144 902**
Other non-financial liabilities:		
Taxes payable, other than income tax	504 721	341 899
Advances received	172 761	129 267
Other	795	7 133
Total other liabilities	**1 664 888**	**623 201**

Payables to employees for the year 2011 comprises RUB 205 444 thousand of unused vacation accruals and RUB 177 767 thousand of other accrued payables to personnel.

27. Share Capital and Share Premium

The share capital of MICEX-RTS comprises ordinary shares with a par value of RUB 1 each (December 31, 2010: RUB 10 thousand):

	Authorized shares (number of shares)	Ordinary shares issued and fully paid (number of shares)	Treasury shares (number of shares)
December 31, 2009	**111 415**	**111 415**	**–**
Issue of additional shares	20 000	17 495	–
December 31, 2010	**131 415**	**128 910**	**–**
Issue of additional shares	126 405	37 074	(4 713)
Share split	2 577 942 180	1 659 674 016	(47 125 287)
Dividends paid by own shares	–	181 565 987	(18 887 981)
Issue of additional shares in the process of merge with RTS	–	356 003 859	–
Purchase of treasury shares	–	–	(125 543 172)
December 31, 2011	**2 578 200 000**	**2 197 409 846**	**(191 561 153)**

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

27. Share Capital and Share Premium (continued)

The Group made an additional issue of 17 495 ordinary shares in September 2010. The shares were distributed to the existing shareholders of the Group in exchange for the non-controlling interests in NCO CJSC MICEX Settlement House and CJSC National Depository Center. Another part of non-controlling interest of RUB 177 619 thousand was acquired for cash.

In July 2011 the Group made an additional issue of 37 074 ordinary shares. A majority of these shares were distributed to shareholders of MICEX SE in exchange for shares of MICEX SE. The remaining 4 713 shares were distributed to the Group entities.

In 2011 the CJSC MICEX performed a share split of its ordinary shares. The nominal value of each ordinary share was changed to RUB 1 per share.

In the process of the merger with RTS (Note 5) the Group issued 537 569 846 ordinary shares and distributed 356 003 859 of them to the former shareholders of RTS Group. The Group distributed 50 331 436 shares of RTS purchased in 2011 to shareholders as dividends. These shares were then converted to 162 678 006 of own shares. The remaining 18 887 981 shares were distributed to the Group's entities.

The Group repurchased 68 255 877 of ordinary shares from those shareholders who voted against the merger with RTS (Note 5) in 2011.

In December 2011 the Group repurchased 57 287 295 of ordinary shares from a shareholder. The Group recognised a liability in respect of these shares of RUB 2 738 315 thousand as at December 31, 2011. The shares were delivered to the Group in January 2012 and then sold to another shareholders.

Included into treasury shares are 56 252 000 shares which are pledged under direct repurchase agreement (Note 25).

In 2011 the Group acquired a part of non-controlling interest for cash of RUB 11 325 thousand.

28. Retained Earnings

During the year ended December 31, 2011, the Group declared and paid dividends for 2010 to the owners of the parent on ordinary shares of RUB 342 581 thousand (December 31, 2010: for 2009 of RUB 247 214 thousand). In 2011 the Group declared and paid dividends on ordinary shares to non-controlling interest of RUB 132 thousand for the year 2011 (December 31, 2010: RUB 24 874 thousand). The amount of dividends per share for the year ended December 31, 2011, is RUB 0.16 per ordinary share (December 31, 2010: RUB 0.16 per ordinary share).

In 2011 the Group paid tax in respect of dividends paid by own shares of RUB 915 348 thousand.

The Group's distributable reserves are limited to the amount of reserves reported in the statutory financial statements of the Group members. Non-distributable reserves comprise a reserve fund, which is created according to the statutory regulations, to cover risks, including future losses and other unforeseen risks and contingencies. The reserve fund balances of the Group companies as at December 31, 2011, totalled RUB 771 753 thousand (December 31, 2010: RUB 437 572 thousand).

(in thousands of Russian rubles, unless otherwise indicated)

29. Earnings per Share

The calculation of earnings per share is based on the profit for the year attributable to shareholders of the Group and the weighted average number of ordinary outstanding during the year, calculated as shown below.

	December 31, 2011	December 31, 2010
Net profit attributable to ordinary equity holders of the parent	**6 699 931**	**4 436 476**
Weighted average number of shares	**2 134 094 449**	**1 594 678 131**
Basic and diluted earnings per share, RUB	3.14	2.78

Ordinary shares issued in 2011 as part of the consideration transferred in a merger with RTS are included in the weighted average number of shares from the acquisition date.

The written put option issued is not considered as dilutive because it is only exercisable in 2013 in the case of occurrence of specified conditions, which are currently not probable (refer to Note 5).

30. Commitments and Contingencies

Fiduciary assets – These assets are not recorded on the consolidated statement of financial position as these are not the Group's assets. Fiduciary assets comprise:

		Fair value
		Unaudited
	December 31, 2011 (RUB mln)	December 31, 2010 (RUB mln)
Corporate shares	4 870 544	1 750 491
Corporate bonds	3 017 436	2 581 417
OFZ bonds	2 903 285	2 154 176
Bonds of RF subjects and municipal bodies	357 045	424 045
Eurobonds	204 999	157 926
Units of mutual investment funds	113 737	56 607
Bonds of the CBR	–	593 172
Total	**11 467 046**	**7 717 834**

The Group has insurance policies from Open Joint Stock Insurance Company Ingosstrakh. The insurance packages comprise fraud, errors and omissions coverage and a comprehensive liability and crime policy. The comprehensive liability and crime policy has been developed especially for insuring professional risks of clearing houses and central securities depositories. The total coverage level for the packages of insurance is USD 115 million.

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

	December 31, 2011	December 31, 2010
Less than 1 year	265 280	265 997
More than 1 year and no more than 5 years	548 236	64 128
Over 5 years	437 101	–
Total operating lease commitments	**1 250 617**	**330 125**

30. Commitments and Contingencies (continued)

Legal proceedings – From time to time and in the normal course of business, claims against the Group may be received from customers and counterparties. The Management beleivesthat such claims may not have a material impact on its financial and operational activities and that no material losses will be incurred, and accordingly no provision has been made in these consolidated financial statements.

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

Operating environment – Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

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

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

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

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

The Group's Management believes its interpretation of the relevant legislation is appropriate and that the tax positions of the Group will be confirmed.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also, according to the clarification of the Russian Federation Constitutional Court, the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation if a court determines that the taxpayer has obstructed or hindered a tax inspection.

(in thousands of Russian rubles, unless otherwise indicated)

31. Transactions with Related Parties

Intragroup transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Control relationships

The entities controlled by the Russian Federation together hold more than 40% (December 31, 2010: more than 60%) of voting shares of MICEX-RTS (Note 1). As at December 31, 2011, the Group does not have a controlling party.

(b) Transactions with key management

Key management personnel comprises members of the Executive Board and the Board of Directors. The total remuneration of key management personnel includes salary and bonuses, payroll related taxes and other short-term employee benefits (insurance, health care, etc.). The Group paid RUB 368 788 thousand as compensations to key management personnel in the year ended December 31, 2011 (December 31, 2010: RUB 295 169 thousand).

(c) Transactions with related parties

The Group considers shareholders of the OJSC MICEX-RTS with control or significant influence by the Russian Federation to be related parties.

The Group considers government-related entities as related parties if Russian Federation has control, joint control over the entity. In the ordinary course of business the Group provides stock exchange services to government-related entities, places funds with government-related banks and bonds issued by the Russian Federation.

In 2011 the Group paid RUB 105 000 thousand to government-related entities for consulting services in respect of the merger with RTS (Note 5).

Included in the consolidated income statement for the years ended December 31, 2011 and 2010, were the following amounts that arose on transactions with associates:

	Year ended December 31, 2011	Year ended December 31, 2010
Share of profits of associates	47 808	30 192
Fee and commission income	893	7 709
Foreign currency difference	761	–
Administrative and other operating expenses	36	137 677

Included in the consolidated statement of financial position as at December 31, 2011 and 2010, are the following amounts that arose due to transactions with associates:

	December 31, 2011	December 31, 2010
Investments in associates	670 101	145 495
Other assets	1 374	108
Balances of market participants	10 971	29 093
Other liabilities	7	10 880

(in thousands of Russian rubles, unless otherwise indicated)

32. Fair Value of Financial Assets

The Group performes a fair value assessment of its financial assets, as required by IFRS 7 Financial Instruments: Disclosures. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm's length transaction, other than in forced or liquidation sale.

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

	December 31, 2011		December 31, 2010	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Investments held-to-maturity	692 266	693 279	1 564 752	1 756 320
Written put option over own shares	21 789 201	552 583	–	–

The fair value of the put option is estimated using the Monte Carlo method. The model of stochastic processes for changes in MICEX-RTS shares prices, MICEX Index and FTSE Mondo Visione Exchanges Index is based on the following assumptions: the expected rate of return equals to 13.4%, the probability of IPO failure during the option life is 15% and the number of random simulation processes for prices and changes in the indices equals to 30 000 iterations.

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial assets measured at fair value at December 31, 2011, by the level in the fair value hierarchy into which the fair value measurement is categorised:

				December 31, 2011
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value though profit or loss	47 190 671	–	68 096	47 258 767
Central counterparty financial assets	2 638 858	–	–	2 638 858
Investments avaliable-for-sale	27 836 932	1 771 008	222 503	29 830 443
Financial liabilities at fair value through profit or loss	64 270	–	–	64 270

Financial assets measured at fair value at December 31, 2010, by the level in the fair value hierarchy into which the fair value measurement is categorised:

				December 31, 2010
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value though profit or loss	21 548 639	–	–	21 548 639
Central counterparty financial assets	560 489	–	–	560 489
Investments avaliable-for-sale	10 505 086	–	80 492	10 585 578

(in thousands of Russian rubles, unless otherwise indicated)

32. Fair Value of Financial Assets (continued)

The following table shows a reconciliation for the year ended December 31, 2011, for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3
Balance at December 31, 2009	**43 767**
Level 3 securities purchased	36 725
Balance at December 31, 2010	**80 492**
Level 3 securities purchased	41 638
Level 3 securities received at acquisition of subsidiaries	168 245
Gain recognized in net loss on financial assets at fair value through profit or loss	224
Balance at December 31, 2011	**290 599**

33. Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The capital structure of the Group consists of the shareholder's equity, which includes capital issued, reserves and retained earnings. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. Although maximization of return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the longer term strategic objectives. The policies in respect of capital management and allocation are regularly reviewed by the Board of Directors through approval and review within annual budgets.

The Group entities (except for SC RTS) as professional participants of the securities market are subject to capital requirements established by the FSFM in respect of the minimum amount of own funds for each entity depending on the nature of their activities. NSD, NCC and SC RTS as credit institutions are also subject to capital requirements established by the CBR. Under the current capital requirements, credit organisations have to maintain a ratio of capital to risk weighted assets (statutory capital ratio N1) above the prescribed minimum level, which is 10% for banks (NCC) and 12% for non-banking credit institutions (NSD and SC RTS). All Group entities were in compliance with all externally imposed capital requirements during the years ended December 31, 2011 and 2010. Regulatory capital ratios for the major Group companies were as follows:

	Own funds		**Own funds requirements**		**Capital adequacy ratio**	
	December 31, 2011	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
MICEX-RTS	16 705 929	12 513 095	150 000	150 000	–	–
NCC	9 999 913	8 126 112	180 000	180 000	26.5	24.7
NSD	6 055 350	7 867 734	250 000	250 000	51.9	100.8
CC RTS	2 348 633	1 900 740	80 000	80 000	–	–
SC RTS	1 101 227	1 391 124	–	–	23.3	71
MICEX SE	934 308	444 381	150 000	150 000	–	–
DCC	336 083	822 829	250 000	250 000	–	–

The Group companies had complied in full with all its externally imposed capital requirements at all times.

34. Risk Management Policies

Risk management is a material element of the Group's activities and is applied to the following financial risks inherent to the Group's activity: credit, geographic, currency, liquidity, interest rate and operational risks. The main objective of financial risk management is to determine and assess the risk zones and exposure, develop risk management policies, create risk controls, including setting of limits and further ensure compliance with the established limits.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. A description of the Group's risk management policies in relation to those risks is as follows. Through the risk management framework, the Group manages the following risks.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Group. It is unusual for exchanges ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group's approach to management of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the reputation.

The Group seeks to actively support a diversified and stable funding base comprising settlement accounts of trading, clearing and settlement participants, other corporate clients, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management expects that the cash flows from certain financial assets will be different from their contractual terms either because the Management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. In the tables below the following financial assets and liabilities are presented on a discounted basis and are based on their expected cash flows.

An analysis of liquidity risk is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the Group.

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Liquidity risk (continued)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2011 Total
FINANCIAL ASSETS						
Cash and cash equivalents	165 830 133	–	–	–	–	165 830 133
Financial assets at fair value though profit or loss	47 258 767	–	–	–	–	47 258 767
Due from financial institutions	19 079 445	1 503 988	1 657 104	5 900	–	22 246 437
Central counterparty financial assets	2 638 858	–	–	–	–	2 638 858
Investments avaliable-for-sale	25 693 940	760 631	2 493 270	651 627	230 975	29 830 443
Investments held-to-maturity	435 720	811	182 370	73 365	–	692 266
Other financial assets	590 717	2 799	940	17 977	–	612 433
Total financial assets	**261 527 580**	**2 268 229**	**4 333 684**	**748 869**	**230 975**	**269 109 337**
FINANCIAL LIABILITIES						
Balances of market participants	245 435 510	–	–	–	–	245 435 510
Written out option over own shares	–	–	–	552 583	–	552 583
Liabilities to repurchase own shares	2 738 315	–	–	–	–	2 738 315
Distributions payable to holders of securities	2 680 832	–	–	–	–	2 680 832
Central counterparty financial liabilities	2 638 858	–	–	–	–	2 638 858
Loans payable	2 507 415	–	53 690	–	–	2 561 105
Other financial liabilities	352 061	338 269	296 281	–	–	986 611
Total financial liabilities	**256 352 991**	**338 269**	**349 971**	**552 583**	**–**	**257 593 814**
Liquidity gap	**5 174 589**	**1 929 960**	**3 983 713**	**196 286**	**230 975**	
Cumulative liquidity gap	**5 174 589**	**7 104 549**	**11 088 262**	**11 284 548**	**11 515 523**	

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Liquidity risk (continued)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2010 Total
FINANCIAL ASSETS						
Cash and cash equivalents	160 462 572	–	–	–	–	160 462 572
Financial assets at fair value though profit or loss	21 548 639	–	–	–	–	21 548 639
Due from financial institutions	1 141 395	1 945 698	5 682 361	296 725	25 216	9 091 395
Central counterparty financial assets	560 489	–	–	–	–	560 489
Investments avaliable-for-sale	–	–	10 505 086	–	80 492	10 585 578
Investments held-to-maturity	41 855	–	1 522 897	–	–	1 564 752
Other assets	278 588	45 030	56 461	9 908	16	390 003
Total financial assets	**184 033 538**	**1 990 728**	**17 766 805**	**306 633**	**105 724**	**204 203 428**
FINANCIAL LIABILITIES						
Balances of market participants	178 415 284	–	–	–	–	178 415 284
Distributions payable to holders of securities	2 993 020	–	–	–	–	2 993 020
Central counterparty financial liabilities	560 489	–	–	–	–	560 489
Loans payable	–	–	72 710	–	–	72 710
Other liabilities	118 403	9 068	17 431	–	–	144 902
Total financial liabilities	**182 087 196**	**9 068**	**90 141**	**–**	**–**	**182 186 405**
Liquidity gap	**1 946 342**	**1 981 660**	**17 676 664**	**306 633**	**105 724**	
Cumulative liquidity gap	**1 946 342**	**3 928 002**	**21 604 666**	**21 911 299**	**22 017 023**	

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Liquidity risk (continued)

Undiscounted cash flows on financial liabilities are approximately equal to cash flows presented in the analysis of liquidity risk above. Written put option over own shares is presented at fair value as Management believes it correctly reflects the expected cash outflow. The maximum amount of cash that could be paid under this option is RUB 24 114 414 thousand (undiscounted).

As at December 31, 2011, the Group presents available-for-sale securities included in CBR Lombard list as matured in one month.

Interest rate risk

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

The Group is exposed 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 also reduce or create losses in the event that unexpected movements arise.

Management of relevant Group entities are responsible for asset-liability management in respect of individual Group entities.

Designated functional units within individual Group entities and at the Group level, including Treasury, are responsible for operational interest rate risk management.

As the majority of financial instruments of the Group are fixed rate contracts, maturity dates of interest-bearing assets and liabilities are also their repricing dates.

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets carried at fair valuedue to changes in the interest rates based on positions existing as at December 31, 2011 and 2010, and a reasonably possible changes of a 200 bp (December 31, 2010: 100 bp) symmetrical fall or rise in all yield curves is as follows:

	Year ended December 31, 2011		Year ended December 31, 2010	
	Net profit	**Equity**	**Net profit**	**Equity**
200 bp parallel rise (December 31, 2010: 100 bp)	(561 166)	(1 391 264)	(123 279)	(394 385)
200 bp parallel fall (December 31, 2010: 100 bp)	578 628	1 467 811	131 862	414 080

The Group's sensitivity to interest rates increased during the current period due to the increase in balance value of debt securities.

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Credit risk

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

The Group controls credit risk by setting limits on a counterparty or on a group of related counterparties. The Group monitors such risks on a regular basis and revises the limits. Credit risk limits are approved by the Executive Board of MICEX-RTS based on the credit risk management system that is approved by the MICEX-RTS Board of Directors. Credit risk is managed by means of regular analysis of the existing and potential counterparties' ability to repay interest and the principal amount of debt and, if required, by means of changing the credit limits.

To safeguard the Group against the risk of default by the clearing member before it has settled its outstanding transactions, the clearing conditions require the clearing member to deposit margins and collateral in the form of cash or securities on a daily basis or an intraday basis in the amount stipulated by the Group (Note 24).

In addition to providing margin and collateral payments for current transactions, each clearing member must contribute to a risk-covering fund. The risk-covering fund (Note 24) provides collective protection against the financial consequences of any default or loss of a clearing member that is not covered by the individual margins of the clearing member concerned.

Principal types of collateral accepted by the Group include liquid securities and cash contributions in Roubles and US Dollars. Depending on the type of the exposure several types of collateral could be provided to the Group.

Maximum credit risk exposure

The Group's maximum exposure to credit risk equals to the carrying value of assets that bear credit risk and varies depending on both individual risks and general market economy risks.

As at December 31, 2011 included into other assets are overdue receivables of RUB 9 372 thousand (2010: the Group had no overdue receivables or other overdue monetary assets carried at amortised cost).

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

The following table details the credit ratings of financial assets held by the Group as at December 31, 2011:

	AAA	AA	A	BBB	less BBB-	Not rated	December 31, 2011 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1 202	33 468 284	25 546 798	106 431 298	9 780	361 790	**165 819 152**
Financial assets at fair value though profit or loss	–	–	–	47 189 271	–	–	**47 189 271**
Due from financial institutions	–	121 138	–	21 140 918	353 931	630 450	**22 246 437**
Central counterparty financial assets	–	4 563	55 913	190 501	969 822	1 418 059	**2 638 858**
Investments avaliable-for-sale	–	1 474 031	367	19 778 668	8 148 684	206 190	**29 607 940**
Investments held-to-maturity	–	56 435	–	571 881	63 950	–	**692 266**
Other financial assets	–	–	–	–	–	612 433	**612 433**

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Maximum credit risk exposure (continued)

The following table details the credit ratings of financial assets held by the Group as at December 31, 2010:

	AAA	AA	A	BBB	less BBB-	Not rated	December 31, 2010 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	–	79 587 780	391 900	78 781 871	1 693 835	–	**160 455 386**
Financial assets at fair value though profit or loss	–	–	–	20 732 533	778 367	37 739	**21 548 639**
Due from financial institutions	–	458 982	–	6 250 690	2 381 723	–	**9 091 395**
Central counterparty financial assets	14 684	35 453	–	191 098	172 467	146 787	**560 489**
Investments avaliable-for-sale	–	–	–	7 142 521	3 362 565	–	**10 505 086**
Investments held-to-maturity	–	–	–	1 179 639	385 113	–	**1 564 752**
Other financial assets	–	–	–	–	–	390 003	**390 003**

Currency risk

The Group is exposured to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk mainly results from open foreign currency positions. The Executive Boards of relevant Group entities set limits on the level of currency risk exposures by currencies.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	RUB	USD	EUR	Other currencies	December 31, 2011 Total
FINANCIAL ASSETS					
Cash and cash equivalents	75 984 798	76 941 073	12 160 502	743 760	165 830 133
Financial assets at fair value though profit or loss	47 258 767	–	–	–	47 258 767
Due from financial institutions	21 586 200	660 174	–	63	22 246 437
Central counterparty financial assets	2 638 858	–	–	–	2 638 858
Investments avaliable-for-sale	22 888 817	6 069 709	845 156	26 761	29 830 443
Investments held-to-maturity	692 266	–	–	–	692 266
Other financial assets	392 486	175 220	8 840	35 887	612 433
Total financial assets	**171 442 192**	**83 846 176**	**13 014 498**	**806 471**	**269 109 337**
FINANCIAL LIABILITIES					
Balances of market participants	155 998 689	76 043 996	12 959 631	433 194	245 435 510
Written out option over own shares	21 789 201	–	–	–	21 789 201
Liabilities to repurchase own shares	2 738 315	–	–	–	2 738 315
Distributions payable to holders of securities	2 680 832	–	–	–	2 680 832
Central counterparty financial liabilities	2 638 858	–	–	–	2 638 858
Loans payable	2 561 105	–	–	–	2 561 105
Other financial liabilities	827 357	91 727	63 289	4 238	986 611
Total financial liabilities	**189 234 357**	**76 135 723**	**13 022 920**	**437 432**	**278 830 432**
Derivatives	**7 614 847**	**(7 614 847)**	**–**	**–**	–
Open position	**(10 177 318)**	**95 606**	**(8 422)**	**369 039**	
Central counterparty operations before IAS 32 netting					
Assets	268 574 856	227 786 059	40 890 043	–	537 250 958
Liability	268 570 686	227 790 229	40 890 043	–	537 250 958
Net position	**4 170**	**(4 170)**	**–**	**–**	
Net total position	**(10 173 148)**	**91 436**	**(8 422)**	**369 039**	

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Currency risk (continued)

	RUB	USD	EUR	Other currencies	December 31, 2010 Total
FINANCIAL ASSETS					
Cash and cash equivalents	61 787 495	77 325 396	21 258 502	91 179	160 462 572
Financial assets at fair value though profit or loss	21 548 639	–	–	–	21 548 639
Due from financial institutions	7 717 195	1 077 475	–	296 725	9 091 395
Central counterparty financial assets	340	340 487	219 662	–	560 489
Investments avaliable-for-sale	9 056 615	1 523 845	540	4 578	10 585 578
Investments held-to-maturity	1 564 752	–	–	–	1 564 752
Other financial assets	338 381	33 259	15 515	2 848	390 003
Total financial assets	**102 013 417**	**80 300 462**	**21 494 219**	**395 330**	**204 203 428**
FINANCIAL LIABILITIES					
Balances of market participants	76 567 815	80 664 936	21 106 075	76 458	178 415 284
Distributions payable to holders of securities	2 993 020	–	–	–	2 993 020
Central counterparty financial liabilities	553 289	7 200	–	–	560 489
Loans payable	72 710	–	–	–	72 710
Other financial liabilities	119 194	15 159	9 336	1 213	144 902
Total financial liabilities	**80 306 028**	**80 687 295**	**21 115 411**	**77 671**	**182 186 405**
Open position	**21 707 389**	**(386 833)**	**378 808**	**317 659**	
Central counterparty operations before IAS 32 netting					
Assets	221 458 866	194 392 098	30 793 870	–	446 644 834
Liability	220 905 917	194 725 385	31 013 532	–	446 644 834
Net position	**552 949**	**(333 287)**	**(219 662)**	**–**	**–**
Net total position	**22 260 338**	**(720 120)**	**159 146**	**317 659**	

The following exchange rates are applied during the year:

	2011		2010	
	USD	**EUR**	**USD**	**EUR**
Minimum	27.2625	39.2752	28.9310	37.4206
Maximum	32.6799	43.6357	31.7798	43.4605
Average	29.3948	40.9038	30.3765	40.2157
Year-end	32.1961	41.6714	30.4769	40.3331

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at December 31, 2011 and 2010, and a reasonably possible changes of a 10% change of Russian Rouble to USD and Euro exchange rates is as follows:

	2011		2010	
	USD 10%	**EUR 10%**	**USD 10%**	**EUR 10%**
10% rouble appreciation	(7 648)	674	30 947	(30 305)
10% rouble depreciation	7 648	(674)	(30 947)	30 305

34. Risk Management Policies (continued)

Geographical concentration

All assets of the Group as at December 31, 2011 and 2010, consist of balances on operations in the Russian Federation, except for:

- Correspondent accounts and deposits with top OECD banks, which are reported in cash and cash equivalents (Note 13);
- Other deposits with top OECD banks, which are reported in balances due from financial institutions of RUB 121 213 thousand as at December 31, 2011 (December 31, 2010: RUB 467 890 thousand) (Note 15);
- Balances placed by CJSC PFTS Stock Exchange with one of the top Ukranian banks that are reported in cash and cash equivalents of RUB 5 499 thousand and in balances due from financial institutions of RUB 290 061 thousand as at December 31, 2011 (December 31, 2010: RUB 16 248 thousand and RUB 296 725 thousand respectively);
- Balances placed by ETS with one of the top Kazakh banks that are reported in cash and cash equivalents of RUB 9 558 thousand as at December 31, 2011 (December 31, 2010: nil).

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour or IT failure.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the reputation with overall cost effectiveness and avoid control procedures which restrict initiative and creativity.

The Board of Directors has overall responsibility for the oversight of operational risk management, reviewing risk management policies and procedures. The risk assessment, reporting and control procedures vary by exposure type, but share a common methodology developed and updated periodically by the risk management personnel.

Both external and internal risk factors are identified and managed throughout the business units within their functional duties. The primary responsibility for the implementation of controls to address operational risk is assigned to management within each business unit.

35. Subsequent Events

In January-February 2012 the Group repurchased from shareholders 32 225 118 own shares for RUB 1 805 040 thousand and sold 165 650 445 own shares to new shareholders for RUB 9 625 947 thousand.