OPEN JOINT-STOCK COMPANY MOSCOW EXCHANGE MICEX-RTS

Consolidated Financial Statements
For the Year Ended December 31, 2013

MOSCOW EXCHANGE GROUP

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Совершенствуя бизнес,
улучшаем мир

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Independent auditor's report

To the Shareholders and the Executive Board of
OJSC Moscow Exchange MICEX-RTS

We have audited the accompanying consolidated financial statements of OJSC Moscow Exchange MICEX-RTS and its subsidiaries, which comprise the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year 2013, the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of changes in equity and consolidated statement of cash flows for the year 2013, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

Management of the audited entity 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.

Auditor's responsibility

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

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the 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 of the audited entity, 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 OJSC Moscow Exchange MICEX-RTS and its subsidiaries as at 31 December 2013, and its financial performance and cash flows for the year 2013 in accordance with International Financial Reporting Standards.

E.V. Zaichikova
Partner
Ernst & Young Vneshaudit CJSC

13 March 2014

Details of the audited entity

Name: OJSC Moscow Exchange MICEX-RTS
Record made in the State Register of Legal Entities on 19 December 2011, State Registration Number 1027739387411.
Address: 125009, 13, Bolshoy Kislovsky per., Moscow, Russia.

Details of the auditor

Name: Ernst & Young Vneshaudit CJSC
Record made in the State Register of Legal Entities on 16 September 2002, State Registration Number 1027739199333.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
CJSC Ernst & Young Vneshaudit is a member of Non Profit partnership "Russian Audit Chamber" ("NP APR").
CJSC Ernst & Young Vneshaudit is registered in the register of auditors and audit organizations of NP APR, number 3027, and also included in the control copy of the register of auditors and audit organizations, main registration number 10301017410.

MOSCOW EXCHANGE GROUP

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2013
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Fee and commission income	5	12 792 116	11 406 816
Interest and other finance income	6	11 238 543	10 343 418
Interest expense		(5 280)	(42 600)
Net loss on financial assets available-for-sale	7	(672 539)	(650 732)
Foreign exchange gains less losses	8	1 194 224	383 174
Other operating income		58 909	106 893
Operating Income		**24 605 973**	**21 546 969**
Administrative and other operating expenses	9	(5 029 989)	(4 582 420)
Personnel expenses	10	(4 827 004)	(4 839 982)
Operating Profit		**14 748 980**	**12 124 567**
Interest expense in respect of written put option over own shares		(199 686)	(1 529 566)
Share of profits of associates		74 605	59 179
Profit before Tax		**14 623 899**	**10 654 180**
Income tax expense	11	(3 042 205)	(2 453 851)
Net Profit		**11 581 694**	**8 200 329**
Attributable to:			
Equity holders of the parent		11 586 770	8 207 741
Non-controlling interest		(5 076)	(7 412)
Earnings per share			
Basic earnings per share, rubles	27	5,23	3,86
Diluted earnings per share, rubles	27	5,22	3,85

Chairman of the Executive Board
Afanasiev A.K.

March 13, 2014
Moscow

Chief Financial Officer
Fetisov E.E.

March 13, 2014
Moscow

The notes on pages 11-55 form an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income for the Year Ended December 31, 2013
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Net profit		**11 581 694**	**8 200 329**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		35 895	(74 477)
Net loss resulting from revaluation of investments available-for-sale		(1 020 952)	(197 697)
Net loss on investments available-for sale reclassified to profit or loss	7	672 539	650 732
Income tax relating to items that may be reclassified		69 682	(90 607)
Other comprehensive income that may be reclassified subsequently to profit or loss		**(242 836)**	**287 951**
Total comprehensive income		**11 338 858**	**8 488 280**
Attributable to:			
Equity holders of the parent		11 325 839	8 519 115
Non-controlling interest		13 019	(30 835)
Total comprehensive income		**11 338 858**	**8 488 280**

The notes on pages 11-55 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at December 31, 2013
(in thousands of Russian rubles)

	Notes	December 31, 2013	December 31, 2012
ASSETS			
Cash and cash equivalents	12	255 041 610	193 356 484
Financial assets at fair value though profit or loss	13	16 199 725	18 025 839
Due from financial institutions	14	28 930 254	13 726 867
Central counterparty financial assets	15	47 008 536	2 823 444
Assets held for sale	22	2 723 667	-
Investments avaliable-for-sale	16	74 252 052	56 674 522
Investments in associates	17	93 149	728 654
Investments held-to-maturity		-	529 842
Property and equipment	18	6 262 365	6 355 233
Intangible assets	19	18 782 590	19 463 776
Goodwill	20	16 071 458	16 066 094
Current tax prepayments		210 547	535 032
Deferred tax asset	11	186 564	103 178
Other assets	21	702 104	715 130
TOTAL ASSETS		**466 464 621**	**329 104 095**
LIABILITIES			
Balances of market participants	23	322 192 809	246 990 385
Written put option over own shares	4	-	23 318 767
Central counterparty financial liabilities	15	47 008 536	2 823 444
Distributions payable to holders of securities		3 670 761	4 436 856
Loans payable		50 858	20 243
Liabilities related to assets held for sale	22	5 864 695	-
Deferred tax liability	11	3 824 032	3 884 784
Current tax payables		76 305	161 022
Other liabilities	24	1 982 474	2 393 192
TOTAL LIABILITIES		**384 670 470**	**284 028 693**
EQUITY:			
Share capital	25	2 597 997	2 416 918
Share premium	25	38 953 810	27 403 927
Treasury shares	25	(10 194 083)	(2 860 714)
Foreign currency translation reserve		7 479	(10 321)
Investments revaluation reserve		(280 682)	(1 951)
Share-based payments		367 972	179 166
Written put option over own shares	4	-	(21 054 656)
Retained earnings	26	49 999 048	38 674 893
Total equity attributable to owners of the parent		**81 451 541**	**44 747 262**
Non-controlling interest		342 610	328 140
TOTAL EQUITY		**81 794 151**	**45 075 402**
TOTAL LIABILITIES AND EQUITY		**466 464 621**	**329 104 095**

The notes on pages 11-55 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended December 31, 2013

(in thousands of Russian rubles)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES:			
Profit before tax		14 623 899	10 654 180
Adjustments for:			
Depreciation and amortization charge	9	1 569 490	1 535 533
Interest expense on written put option on own shares		199 686	1 529 566
Fair value adjustment on financial assets at fair value through profit or loss		(107 889)	(491 527)
Share-based payment expense		287 752	179 166
Unrealized loss on foreign exchange operations		218 680	316 009
Share of profits of associates		(74 605)	(59 179)
Loss on disposal of investments available-for-sale	7	672 539	650 732
Net change in interest accruals		(129 032)	259 880
Net loss on disposal of property and equipment and intangible assets	9	156 122	94 486
Other provisions		27 637	51 504
Impairment of investments in associates	17, 22	118 715	-
Changes in operating assets and liabilities:			
Due from financial institutions		(15 110 563)	8 438 867
Financial assets at fair value through profit or loss		1 465 565	29 089 790
Central counterparty financial assets		(44 185 092)	(184 586)
Other assets		(36 431)	774 583
Balances of market participants		64 578 215	5 542 001
Central counterparty financial liabilities		44 185 092	184 586
Distributions payable to holders of securities		(766 095)	1 756 024
Other liabilities		(412 871)	717 187
Cash flows from operating activities before taxation		67 280 814	61 038 802
Income tax paid		(2 826 984)	(2 766 391)
Cash flows from operating activities		**64 453 830**	**58 272 411**

Consolidated Statement of Cash Flows for the Year Ended December 31, 2013 (Continued)

(in thousands of Russian rubles)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES:			
Purchase of investments available-for-sale		(63 758 159)	(52 896 467)
Proceeds from disposal of investments available-for-sale		46 003 713	25 330 207
Purchase of property and equipment and intangible assets		(1 044 626)	(1 810 253)
Proceeds from redemption of investments held-to-maturity		520 069	582 245
Proceeds from disposal of property and equipment and intangible assets		25 071	38 745
Purchase of investments in associates		-	(2 214)
Cash flows used in investing activities		**(18 253 932)**	**(28 757 737)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES:			
IPO proceeds, net of transaction costs paid		5 757 600	-
Acqusition of treasury shares		(1 527 896)	(4 543 355)
Loans (repaid) / received		30 055	(2 487 172)
Proceeds from issue of ordinary shares		5 822	-
Sale of treasury shares		41 502	9 625 947
Dividends paid		(2 726 452)	(682 856)
Acquisition of non-controlling interest in subsidiaries		(27)	(26 793)
Disposal of non-controlling interest in subsidaries		1 519	-
Cash flows from financing activities		**1 582 123**	**1 885 771**
Effect of changes in foreign exchange rates on cash and cash equivalents		15 921 982	(3 874 094)
Net increase in cash and cash equivalents		**63 704 003**	**27 526 351**
Cash and cash equivalents, beginning of period	12	**193 356 484**	**165 830 133**
Cash and cash equivalents, end of period	12	**257 060 487**	**193 356 484**

Interest received by the Group during the year ended December 31, 2013, amounted to RUB 11 014 096 thousand (December 31, 2012: RUB 11 203 604 thousand).

Interest paid by the Group during the year ended December 31, 2013, amounted to RUB 4 720 thousand (December 31, 2012: RUB 54 864 thousand).

MOSCOW EXCHANGE GROUP

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2013
(in thousands of Russian rubles)

	Share capital	Share premium	Treasury shares	Written put option over own shares	Investments revaluation reserve	Share-based payments	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
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**
Net profit	-	-	-	-	-	-	-	8 207 741	8 207 741	(7 412)	8 200 329
Other comprehensive income	-	-	-	-	362 428	-	(51 054)	-	311 374	(23 423)	287 951
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**362 428**	**-**	**(51 054)**	**8 207 741**	**8 519 115**	**(30 835)**	**8 488 280**
Transactions with owners											
Dividends declared	-	-	-	-	-	-	-	(682 856)	(682 856)	-	(682 856)
Sale of treasury shares	-	3 256 853	6 369 094	-	-	-	-	-	9 625 947	-	9 625 947
Repurchase of own shares	-	-	(1 805 040)	-	-	-	-	-	(1 805 040)	-	(1 805 040)
Share-based payments	-	-	-	-	-	179 166	-	-	179 166	-	179 166
Acquisition of non-controlling interest	-	-	-	-	-	-	-	279	279	(27 072)	(26 793)
Total transactions with owners	**-**	**3 256 853**	**4 564 054**	**-**	**-**	**179 166**	**-**	**(682 577)**	**7 317 496**	**(27 072)**	**7 290 424**
December 31, 2012	**2 416 918**	**27 403 927**	**(2 860 714)**	**(21 054 656)**	**(1 951)**	**179 166**	**(10 321)**	**38 674 893**	**44 747 262**	**328 140**	**45 075 402**
Net profit	-	-	-	-	-	-	-	11 586 770	11 586 770	(5 076)	11 581 694
Other comprehensive income	-	-	-	-	(278 731)	-	17 800	-	(260 931)	18 095	(242 836)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(278 731)**	**-**	**17 800**	**11 586 770**	**11 325 839**	**13 019**	**11 338 858**
Transactions with owners											
Shares issued	181 079	13 113 763	(13 289 020)	-	-	-	-	-	5 822	-	5 822
Sale of treasury shares in IPO	-	(1 588 097)	7 367 316	-	-	-	-	-	5 779 219	-	5 779 219
Expiration of IPO-related written put option	-	-	-	21 054 656	-	-	-	2 463 796	23 518 452	-	23 518 452
Repurchase of own shares	-	-	(1 527 896)	-	-	-	-	-	(1 527 896)	-	(1 527 896)
Dividends declared	-	-	-	-	-	-	-	(2 726 362)	(2 726 362)	(90)	(2 726 452)
Share-based payments	-	24 217	116 231	-	-	188 806	-	-	329 254	-	329 254
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(17)	(17)	(10)	(27)
Disposal of non-controlling interest	-	-	-	-	-	-	-	(32)	(32)	1 551	1 519
Total transactions with owners	**181 079**	**11 549 883**	**(7 333 369)**	**21 054 656**	**-**	**188 806**	**-**	**(262 615)**	**25 378 440**	**1 451**	**25 379 891**
December 31, 2013	**2 597 997**	**38 953 810**	**(10 194 083)**	**-**	**(280 682)**	**367 972**	**7 479**	**49 999 048**	**81 451 541**	**342 610**	**81 794 151**

The notes on pages 11-55 form an integral part of these consolidated financial statements.

(in thousands of Russian rubles, unless otherwise indicated)

1. Organization

Open Joint-Stock Company Moscow Exchange MICEX-RTS (Moscow Exchange) 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 the company was reorganized into the form of open joint-stock company and renamed to Open Joint-Stock Company MICEX-RTS. In July 2012 the name of the company was changed to Open Joint-Stock Company Moscow Exchange MICEX-RTS.

The legal address of Moscow Exchange: 13 Bolshoy Kislovsky per., Moscow, the Russian Federation.

Moscow Exchange Group ("the Group") is an integrated exchange structure that provides financial market participants with a full set of competitive trading, clearing, settlement, depository 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.

Moscow Exchange is the parent company of the Group, which includes the following entities:

Name	Principal activities	December 31, 2013 Voting rights, %	December 31, 2012 Voting rights, %
CJSC MICEX Stock Exchange (MICEX SE)	Stock exchange operations	100%	100%
NCO CJSC National Settlement Depository (NSD)	Depository, clearing and settlement services	99,997%	99,997%
CJSC National Clearing Center (NCC)	Banking and clearing operations	100%	100%
CJSC Clearing Center RTS (CC RTS)	Financial activities	100%	100%
Non-banking Credit Organisation Settlement Chamber RTS CJSC (SC RTS)	Settlement services	100%	100%
CJSC Depository Clearing Company (DCC)	Depository services	99,995%	99,995%
Open Joint-Stock Company "Evraziyskaia Trading System" Commodity Exchange (ETS)	Commodity exchange operations	60,82%	61,32%
LLC Technical Center RTS (TechCenter)	Technical support of exchange activities	-	100%
LLC MICEX Finance (MICEX Finance)	Financial activities	100%	100%
LLC MICEX Cyprus (MICEX Cyprus)	Financial activities	100%	100%
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%
LLC ME Technology (former LLC E-Stock)	Technical support of exchange activities, IT services	100,00%	100,00%

MICEX SE provides services for Securities Market Sections of the Group.

NSD is the central securities depository of the Russian Federation. NSD is the Russian national numbering agency and the substitute numbering agency for the Commonwealth of Independent States (CIS), authorized to assign the international ISIN and CFI codes. The status of central securities depository was assigned to NSD on 6 November 2012. NSD holds licenses for depository, clearing and settlement operations issued by the Central Bank of the Russia (CBR).

1. Organization (continued)

NCC performs functions of a clearing organization and central counterparty in the financial market. NCC has a license for clearing activities.

MICEX-IT is an operator of the online procurement platform (state and corporate purchases) – one of five procurement platforms determined by the Economic Development Ministry of the Russian Federation and Federal Antimonopoly Service as the national electronic auction marketplace for state and municipal procurement.

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

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

Until December 2012 CC RTS provided clearing services for Derivatives Market and Securities Market ("Standard" sector) Sections of the Group. In the end of 2012 this line of business was transferred to NCC. In 2013 the Group decided to merge CC RTS to NCC.

SC RTS is a non-banking credit institution. SC RTS has a licence to perform settlement services issued by the CBR. In 2012 SC RTS provided settlement services to trading participants. In the second half of 2012 this line of business was transferred to NSD. In 2013 the Group decided to merge SC RTS to NCC.

DCC provides depository and clearing services. DCC has licenses to perform depository and clearing activities.

LLC ME Technology provides technical support of exchange activities and IT services to Moscow Exchange clients. LLC ME Technology was established in September 2013 resulting from merger of TechCenter to LLC E-Stock.

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

Moscow Exchange 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 1 692 employees as at December 31, 2013 (December 31, 2012: 1 648 employees).

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 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 and liabilities that are measured at fair value.

Moscow Exchange 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.

2. Basis of Presentation (continued)

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.

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.

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.

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.

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.

3. Significant Accounting Policies (continued)

Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, 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.

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 profit or loss, 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.

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. Amounts that are subject to restrictions on their availability, including minimum reserve deposits with the CBR, are not included in cash and cash equivalents.

3. Significant Accounting Policies (continued)

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.

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 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. Fair value is determined in the manner described in Note 30.

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.

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.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the Consolidated Statement of Profit or Loss. However, interest calculated using the effective interest method is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Financial assets (continued)

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.

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.

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 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.

3. Significant Accounting Policies (continued)

Central counterparty financial assets and liabilities

NCC acts as a central counterparty (CCP) and guarantees settlements of certain exchange transactions. Receivables and payables 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.

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 loans and receivables and carried at amortised cost.

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, market participants must make contributions to the risk-covering fund which is described in Note 23.

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.

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 and certain derivatives.

3. Significant Accounting Policies (continued)

Financial liabilities and equity instruments issued (continued)

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.

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.

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 three days. Amounts of dividends and coupons payable to clients are stated at their contractual values.

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:

Buildings and other real estate	2%
Furniture and equipment	20%

Freehold land is not depreciated.

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.

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.

3. Significant Accounting Policies (continued)

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 at the annual rates of 10%-25%. 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.

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. Amortisation is recognised on a straight-line basis at the annual rate of 4%. 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.

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.

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.

3. Significant Accounting Policies (continued)

Intangible assets (continued)

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.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Group’s management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

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.

3. Significant Accounting Policies (continued)

Taxation (continued)

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.

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.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity within Share-based payments reserve, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 10).

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 fiduciary services is recognized as services are provided.

3. Significant Accounting Policies (continued)

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).

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.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary 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 shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary 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, 2013 and December 31, 2012, the Group comprised a single operating segment.

Adoption of new and revised standards

In the current period, 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 reporting periods ending on December 31, 2013.

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.

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:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group’s financial position or performance.

3. Significant Accounting Policies (continued)

Adoption of new and revised standards (continued)

IAS 1 Clarification of the Requirement for Comparative Information (amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments had no impact on the Group's financial position.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. These amendments had no impact on the Banks’ financial position or performance. The new disclosures are presented in Note 33.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. IFRS 12 disclosures are provided in Notes 1, 17.

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 application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The Group provides these disclosures in Note 30.

IAS 19 Employee Benefits - Amendments to IAS 19

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 amendment had no impact on the Group's financial position.

3. Significant Accounting Policies (continued)

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.

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. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB is addressing 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 the final standard including all phases is issued.

Investment Entities (amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements (as revised in 2011))

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group does not qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities − Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to impact on the Group's financial position.

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

Written put option over own shares

As at December 31, 2012 financial liabilities of the Group included a written put option on the Group's shares. The option was granted by the Group to certain former shareholders of RTS as a part of the merger with RTS. The option gave 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 had not conducted an IPO by June 30, 2013, and MICEX stock index and FTSE Mondo Visione Exchanges index had not fallen by 30% or more after the merger date;
- In October 2014, if the option had not been exercised in July 2013 and the Group had not conducted an IPO by September 30, 2014.

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

Key sources of estimation uncertainty (continued)

Because the put option required 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 was classified as a financial liability and was 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 used the discount rate of 7%. Unwinding of the discount was recorded as interest expense in a separate line of the Consolidated Statement of Profit or Loss. As a result of IPO, the option lapsed and the Group reclassified this liability in amount of RUB 23 518 452 thousand back to equity.

Key sources of estimation uncertainty

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 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.

As at December 31, 2013, the gross receivables totalled RUB 420 075 thousand (December 31, 2012: RUB 443 355 thousand) and allowance for impairment losses amounted to RUB 29 045 thousand (December 31, 2012: RUB 4 961 thousand).

Valuation of financial instruments

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 30.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

(in thousands of Russian rubles, unless otherwise indicated)

5. Fee and Commission Income

	Year ended December 31, 2013	Year ended December 31, 2012
Securities market	3 000 805	3 080 810
Money market	2 530 608	2 005 598
Foreign exchange	2 411 555	2 008 724
Depositary and settlement services	2 322 788	1 922 260
Derivatives	1 566 046	1 252 989
Sale of software and technical services	496 146	528 129
Information services	301 286	404 196
Other	162 882	204 110
Total fee and commission income	**12 792 116**	**11 406 816**

Income from securities market comprises fees and commissions from equities trading, bonds trading, listing and service fees:

	Year ended December 31, 2013	Year ended December 31, 2012
Equities	1 403 671	1 834 053
Bonds	1 379 112	1 067 652
Listing and other service fees	218 022	179 105
Total income from securities market	**3 000 805**	**3 080 810**

(in thousands of Russian rubles, unless otherwise indicated)

6. Interest and Other Finance Income

	Year ended December 31, 2013	Year ended December 31, 2012
Income on securities at fair value through profit or loss		
Interest income	632 392	3 613 881
Net profit (loss) on securities at fair value through profit or loss	94 855	(588 042)
Total income on securities at fair value through profit or loss	**727 247**	**3 025 839**
Interest income on financial assets other than at fair value through profit or loss		
Interest income on investments available-for-sale	5 299 122	3 023 514
Interest on cash and cash equivalents and due from financial institutions	5 201 376	4 261 582
Interest on investments held-to-maturity	10 798	32 483
Total interest income on financial assets other than at fair value through profit or loss	**10 511 296**	**7 317 579**
Total interest and other finance income	**11 238 543**	**10 343 418**

7. Net Loss on Financial Assets Available-for-Sale

In the year ended December 31, 2013 the Group recognized a net loss on financial assets available-for-sale of RUB 672 539 thousand (year ended December 31, 2012: loss of RUB 650 732 thousand). The loss resulted from the sale of high yield bonds held by the Group. Interest income received on these bonds exceeded the losses realised on the sale of such securities.

8. Foreign Exchange Gains Less Losses

	Year ended December 31, 2013	Year ended December 31, 2012
Foreign exchange SWAPs	1 156 261	357 849
Net other foreign exchange gain	37 963	25 325
Total foreign exchange gains less losses	**1 194 224**	**383 174**

The Group enters into foreign exchange SWAPs for the purposes of short-term investments and liquidity management.

(in thousands of Russian rubles, unless otherwise indicated)

9. Administrative and Other Operating Expenses

	Year ended December 31, 2013	Year ended December 31, 2012
Amortisation of intangible assets	1 039 778	1 016 359
Professional services	899 449	826 028
Market makers fees	557 123	361 694
Depreciation of property and equipment	529 712	519 174
Taxes, other than income tax	505 201	337 304
Equipment and intangible assets maintenance	385 996	366 491
Rent and office maintenance	381 703	492 160
Advertising and marketing costs	257 027	273 490
Loss on disposal of property, equipment and intangible assets	156 122	114 919
Impairment of investments in associates	118 715	-
Business trip expenses	73 456	76 668
Security expenses	34 672	34 364
Charity	21 041	48 656
Other	69 994	115 113
Total administrative and other operating expenses	**5 029 989**	**4 582 420**

Professional services comprise consulting, audit, IT services, information and telecommunication, insurance, legal services and other.

10. Personnel Expenses

	Year ended December 31, 2013	Year ended December 31, 2012
Staff expenses	3 955 335	4 032 763
Payroll related taxes	583 917	628 053
Share-based payment expense	287 752	179 166
Total personnel expenses	**4 827 004**	**4 839 982**

The Group grants equity-settled share options to senior management and some employees. The options give to holders a choice either to purchase the full number of shares at exercise price or to get shares in amount of fair value of the option at exercise date for free. A majority of the options vest when the employee continues to be employed by the Group at the vesting date. The maximum contractual term of the options is four years. The fair value of the options is measured at the grant date using a binomial model taking into account the terms and conditions upon which the instruments were granted.

(in thousands of Russian rubles, unless otherwise indicated)

10. Personnel Expenses (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options:

	Number	WAEP
Outstanding at 1 January 2012	-	-
Granted	42 027 058	47,53
Outstanding at 31 December 2012	**42 027 058**	**47,53**
Granted	14 500 004	47,86
Exercised	(1 781 053)	49,05
Forfeited	(5 533 337)	46,90
Expired	(5 888 948)	49,05
Outstanding at 31 December 2013	**43 323 724**	**47,50**

WAEP for exercised options in the table above is calculated based on the contractual exercise price.

The weighted average share price for share options exercised in 2013 at the date of exercise was RUB 57,24.

The weighted average remaining contractual life for the share options outstanding as at December 31, 2013 was 0,97 years (December 31, 2012: 1,45 years). The weighted average fair value of options granted during the year was RUB 17,04 (December 31, 2012: RUB 16,16) per 1 option. Exercise prices for options outstanding as at December 31, 2013 were RUB 46,9 – RUB 55 (December 31, 2012: RUB 46,9 – RUB 51).

The following table lists the inputs to the models used:

Assumption	Value
Expected volatility	26,0%
Risk-free interest rate	6,4%
Weighted average share price, RUB	59,47
Dividend yield	4,4%

The volatility assumption is based on implied volatilities of quoted options on shares of similar stock exchanges.

11. 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 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 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.

(in thousands of Russian rubles, unless otherwise indicated)

11. Income tax (continued)

Temporary differences comprise:

	Consolidated statement of financial position		Consolidated income statement	
	December 31, 2013	**December 31, 2012**	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Tax effect from deductible temporary differences				
Financial assets at fair value though profit or loss	9 507	29 750	(20 243)	(134 525)
Investments in associates and investments available-for-sale	17 227	29 360	(41 456)	41 532
Property and equipment and intangible assets	13 731	13 563	168	(9 717)
Other assets	8 785	5 721	5 795	(1 011)
Tax loss carried forward	46 991	47 716	(725)	32 003
Other liabilities	207 748	203 273	(4 923)	155 514
Total tax effect from deductible temporary differences	**303 989**	**329 383**	**(61 384)**	**83 796**
Tax effect from taxable temporary differences				
Cash and cash equivalents	(276)	(250)	(26)	(250)
Financial assets at fair value though profit or loss	(7 507)	(7 290)	(217)	(2 590)
Central counterparty financial assets	(152)	(3 176)	3 024	(3 176)
Assets held for sale	(44 807)	-	(44 807)	-
Investments in associates and investments available-for-sale	(7 544)	(46 584)	39 040	(12 538)
Investments held-to-maturity	-	(10)	10	(10)
Property and equipment and intangible assets	(3 878 865)	(4 049 137)	170 272	182 480
Other assets	(719)	(1 350)	602	4 126
Other liabilities	(1 587)	(3 192)	1 605	41 179
Total tax effect from taxable temporary differences	**(3 941 457)**	**(4 110 989)**	**169 503**	**209 221**
Deferred tax income			**108 119**	**293 017**
Deferred income tax assets	**186 564**	**103 178**		
Deferred income tax liabilities	**(3 824 032)**	**(3 884 784)**		

Reconciliation of income tax expense and accounting profit for the year ended December 31, 2013 and 2012, are explained below:

	Year ended December 31, 2013	**Year ended December 31, 2012**
Profit before income tax	**14 623 899**	**10 654 180**
Tax at the statutory tax rate (20%)	2 924 780	2 130 836
Non-deductible expenses for tax purposes	249 935	560 505
Tax effect of income taxed at rates different from the prime rate	(133 836)	(212 440)
Adjustments in respect of current income tax of previous years	(22 051)	-
Previously unrecognized deferred tax related to subsidiary transferred to disposal group	21 561	-
Deferred tax from a previously unrecognised temporary difference of a prior period	1 816	(25 050)
Income tax expense	**3 042 205**	**2 453 851**
Current income tax expense	3 150 324	2 746 868
Deferred taxation movement due to origination and reversal of temporary differences	(108 844)	(261 014)
Deferred taxation movement due to tax losses carried forward	725	(32 003)
Income tax expense	**3 042 205**	**2 453 851**

(in thousands of Russian rubles, unless otherwise indicated)

11. Income tax (continued)

	Year ended December 31, 2013	Year ended December 31, 2012
As at January 1 – deferred tax assets	**103 178**	**246 983**
As at January 1 – deferred tax liabilities	**(3 884 784)**	**(4 230 362)**
Change in deferred income tax balances recognized in profit or loss	108 119	293 017
Changes in deferred income tax balances recognized in other comprehensive income	29 323	(90 607)
Deferred income tax recognized directly in equity	9 487	-
Deferred income tax transferred to assets of disposal group held for sale	(3 069)	-
Effect of movements in exchange rates	278	(637)
As at December 31 - deferred tax assets	**186 564**	**103 178**
As at December 31 - deferred tax liabilities	**(3 824 032)**	**(3 884 784)**

12. Cash and Cash Equivalents

	December 31, 2013	December 31, 2012
Balances with the CBR	15 930 165	48 967 587
Correspondent accounts and overnight deposits with banks	239 107 706	144 382 167
- Russian Federation	56 377 719	32 640 394
- Organization for Economic Cooperation and Development countries	182 703 813	111 454 543
- other countries	26 174	287 230
Cash on hand	3 739	6 730
Total cash and cash equivalents	**255 041 610**	**193 356 484**
Cash and cash equivalents attributable to Assets of disposal group held for sale	2 018 877	-
Cash and cash equivalents for the purpose of Consolidated Statement of Cash Flows	**257 060 487**	**193 356 484**

As at December 31, 2013, the Group has balances with eight counterparties each of which is greater than 10% of equity (December 31, 2012: seven counterparties). The total aggregate amount of these balances is 246 742 735 RUB thousand or 97% of total cash and cash equivalents as at December 31, 2013 (December 31, 2012: RUB 189 888 446 thousand or 98% of total cash and cash equivalents).

Guarantee and risk-covering funds (Note 23) are placed on current accounts with large OECD banks, the CBR and large Russian banks (Fitch credit rating BBB).

For the purpose of Consolidated Statement of Cash Flows, cash and cash equivalents include as of December 31, 2013 cash and cash equivalents attributable to Assets of disposal group held for sale in amount of RUB 2 018 877 thousand (December 31, 2012: nil).

(in thousands of Russian rubles, unless otherwise indicated)

13. Financial Assets at Fair Value Through Profit or Loss

	December 31, 2013	December 31, 2012
Bonds issued by Russian Federation	16 131 684	17 958 879
Shares issued by Russian companies	62 999	66 960
Derivative financial instruments at fair value through profit or loss	5 042	-
Total financial assets at fair value through profit or loss	**16 199 725**	**18 025 839**

14. Due from Financial Institutions

	December 31, 2013	December 31, 2012
Interbank loans and term deposits	27 050 050	13 074 209
Mandatory cash balances with the CBR (restricted)	1 557 523	69 604
Short-term reverse repo receivable from financial institutions	319 283	582 886
Receivables on broker and clearing operations	3 398	168
Total due from financial institutions	**28 930 254**	**13 726 867**

As at December 31, 2013, the fair value of bonds pledged under short-term reverse repo is RUB 348 223 thousand (December 31, 2012: RUB 643 313 thousand).

15. Central Counterparty Financial Assets and Liabilities

	December 31, 2013	December 31, 2012
Repo transactions	44 706 755	2 184 330
Currency transactions	2 301 781	639 114
Total central counterparty financial assets and liabilities	**47 008 536**	**2 823 444**

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 repo transactions is RUB 50 210 672 thousand (December 31, 2011: RUB 2 181 313 thousand).

As at December 31, 2013 and 2012, none of these assets were past due.

CCP financial assets and liabilities under currency transactions represent fair values of overnight currency deals. Gross claims and liabilities with individual counterparties are offset in accordance with IAS 32. Information about financial assets offset against financial liabilities in the statement of financial position is disclosed in Note 33.

(in thousands of Russian rubles, unless otherwise indicated)

16. Investments Available-for-Sale

	December 31, 2013	December 31, 2012
Bonds issued by Russian Federation	29 660 287	17 903 495
Bonds issued by Russian companies	22 512 072	12 999 291
Bonds issued by Russian banks	12 099 104	16 123 514
Bonds issued by foreign companies	9 779 971	8 172 658
Bonds issued by Russian Federation subjects and Municipal bonds	113 494	244 012
Shares issued by foreign companies	46 019	66 209
Shares issued by Russian companies	41 105	101 704
Bonds issued by foreign banks	-	1 063 639
Total investments available-for-sale	**74 252 052**	**56 674 522**

17. Investments in Associates

As at December, 31, 2013 investments in associates are presented as follows:

	Ownership interest	Principal place of business	Country of incorporation	Nature of activities	Carrying value
CJSC National Mercantile Exchange (NAMEX)	36,51%	Russian Federation	Russian Federation	Commodity exchange operations	49 650
Open Joint-Stock Company “Ukrainian Exchange” (UEX)	43,08%	Ukraine	Ukraine	Stock exchange operations	43 499
Total investments in associates					**93 149**

In December 2013 the Group’s Management decided to sell CJSC Settlement Depository Company (SDC). Therefore, as of 31 December 2013 the Group presents investments in SDC as an asset held for sale under IFRS 5 “Non-current assets held for sale and discontinued operations” (refer to Note 22).

(in thousands of Russian rubles, unless otherwise indicated)

17. Investments in associtеs (continued)

As at December, 31, 2012 investments in associates are presented as follows:

	Ownership interest	Principal place of business	Country of incorporation	Nature of activities	Carrying value
CJSC Settlement Depository Company (SDC)	28,54%	Russian Federation	Russian Federation	Depository and settlement services	561 326
CJSC National Mercantile Exchange (NAMEX)	36,51%	Russian Federation	Russian Federation	Commodity exchange operations	34 353
Open Joint-Stock Company “Ukrainian Exchange” (UEX)	43,08%	Ukraine	Ukraine	Stock exchange operations	132 975
Total investments in associates					**728 654**

As at December 31, 2013, and for the year ended, assets, liabilities, revenue and net profit of the associates are presented as follows:

	December 31, 2013		Year ended December 31, 2013	
	Assets	Liabilities	Revenue	Net profit
NAMEX	160 922	28 670	124 259	41 900
UEX	143 881	42 909	43 286	(6 226)

As at December 31, 2012, and for the year ended, assets, liabilities, revenue and net profit of the associates are presented as follows:

	December 31, 2012		Year ended December 31, 2012	
	Assets	Liabilities	Revenue	Net profit
SDC	4 466 583	2 532 374	202 505	165 829
NAMEX	167 093	76 741	99 075	32 450
UEX	107 740	4 706	70 583	615

The Group recognized impairment loss of RUB 89 289 thousand in respect of investments in UEX because the economic performance of UEX is worse than expected. The loss is recognized within Administrative and Other Operating Expenses.

(in thousands of Russian rubles, unless otherwise indicated)

18. Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Total
Cost				
December 31, 2011	**127 512**	**4 965 469**	**3 273 193**	**8 366 174**
Additions	94 022	936 328	255 777	1 286 127
Disposals	-	(20 834)	(408 765)	(429 599)
Effect of movements in exchange rates	(387)	(6 125)	(1 528)	(8 040)
December 31, 2012	**221 147**	**5 874 838**	**3 118 677**	**9 214 662**
Additions	-	104 336	359 047	463 383
Disposals	-	-	(93 317)	(93 317)
Reclassification to assets held for sale	-	-	(25 045)	(25 045)
Effect of movements in exchange rates	687	4 194	929	5 810
December 31, 2013	**221 834**	**5 983 368**	**3 360 291**	**9 565 493**
Accumulated depreciation				
December 31, 2011	**-**	**764 793**	**1 878 636**	**2 643 429**
Charge for the period	-	112 381	406 793	519 174
Disposals	-	(5 065)	(297 392)	(302 457)
Effect of movements in exchange rates	-	(157)	(560)	(717)
December 31, 2012	**-**	**871 952**	**1 987 477**	**2 859 429**
Charge for the period	-	121 143	408 569	529 712
Disposals	-	-	(67 777)	(67 777)
Reclassification to assets held for sale	-	-	(18 829)	(18 829)
Effect of movements in exchange rates	-	232	361	593
December 31, 2013	**-**	**993 327**	**2 309 801**	**3 303 128**
Net book value				
December 31, 2012	**221 147**	**5 002 886**	**1 131 200**	**6 355 233**
December 31, 2013	**221 834**	**4 990 041**	**1 050 490**	**6 262 365**

As at December 31, 2013, historical cost of fully depreciated property and equipment amounts to RUB 1 337 452 thousand (December 31, 2012: RUB 1 000 646 thousand).

(in thousands of Russian rubles, unless otherwise indicated)

19. Intangible Assets

	Software and licences	Client base	Total
Cost			
December 31, 2011	**1 230 297**	**19 503 594**	**20 733 891**
Additions	524 126	-	524 126
Disposals	(81 993)	-	(81 993)
Effect of movements in exchange rates	(8 499)	-	(8 499)
December 31, 2012	**1 663 931**	**19 503 594**	**21 167 525**
Additions	581 243	-	581 243
Disposals	(232 652)	-	(232 652)
Reclassification to assets held for sale	(93 838)	-	(93 838)
Effect of movements in exchange rates	7 438	-	7 438
December 31, 2013	**1 926 122**	**19 503 594**	**21 429 716**
Accumulated depreciation			
December 31, 2011	**351 353**	**412 257**	**763 610**
Charge for the period	236 215	780 144	1 016 359
Disposals	(75 904)	-	(75 904)
Effect of movements in exchange rates	(316)	-	(316)
December 31, 2012	**511 348**	**1 192 401**	**1 703 749**
Charge for the period	259 634	780 144	1 039 778
Disposals	(76 999)	-	(76 999)
Reclassification to assets held for sale	(19 937)	-	(19 937)
Effect of movements in exchange rates	535	-	535
December 31, 2013	**674 581**	**1 972 545**	**2 647 126**
Net book value			
December 31, 2012	**1 152 583**	**18 311 193**	**19 463 776**
December 31, 2013	**1 251 541**	**17 531 049**	**18 782 590**

(in thousands of Russian rubles, unless otherwise indicated)

20. Goodwill

	Year ended December 31, 2013	Year ended December 31, 2012
As at January 1	**16 066 094**	**16 072 302**
Effect of movements in exchange rates	5 364	(6 208)
As at December 31	**16 071 458**	**16 066 094**

Impairment Tests for Goodwill

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

As at December 31, 2013 the recoverable amount for the Group has been determined based on calculations of fair value less cost of disposal. Fair value is determined based on market capitalisation of the Group using quoted price on shares of the Group.

The resulted fair value less cost of disposal of the Group in amount of RUB 139 879 449 thousand exceeds the net carrying amount of its assets and liabilities.

21. Other Assets

	December 31, 2013	December 31, 2012
Other financial assets:		
Receivables on services rendered and other operations	420 075	443 355
Loans receivable from employees	-	1 215
Less allowance for impairment	(29 045)	(4 961)
Total other financial assets	**391 030**	**439 609**
Other non-financial assets:		
Prepaid expenses	182 631	182 290
Precious metals	57 752	-
Taxes receivable other than income tax	56 392	83 427
Other	14 299	9 804
Total other assets	**702 104**	**715 130**

22. Assets Held for Sale

In March 2013 the Management Board decided to sell SC RTS and initiated a tender to locate a buyer. Management had the intention to find a buyer and sell SC RTS up to December 2013. The Group presented SC RTS for the period from March to December 2013 as disposal group held for sale under IFRS 5 “Non-current assets held for sale and discontinued operations”.

(in thousands of Russian rubles, unless otherwise indicated)

22. Assets Held for Sale (continued)

The Management had not found a buyer in 2013. In December 2013 the Management Board decided to merge SC RTS with CJSC National Clearing Center. Therefore, the classification of SC RTS as disposal group held for sale ceases from December 2013 and SC RTS is consolidated as of December 31, 2013. There was no material effect on the group financial statements in connection with this decision.

In December 2013 the Management Board decided to sell MICEX-IT. The deal was completed during January 2014. Therefore, as of 31 December 2013 the Group presents MICEX-IT as disposal group held for sale under IFRS 5 “Non-current assets held for sale and discontinued operations”. In 2013 MICEX-IT generated net cash inflows from operating activities of RUB 1 917 600 thousand, cash outflow from investing activities of RUB 65 767 thousand.

The major classes of assets and liabilities of MICEX-IT classified as held for sale as of the reporting date:

	December 31, 2013
Assets of the disposal group held for sale	
Cash and cash equivalents	2 018 877
Property and equipment	6 216
Intangible assets	73 901
Other assets	30 783
Total assets of the disposal group held for sale	**2 129 777**
Liabilities of the disposal group held for sale	
Balances of market participants	5 836 964
Other liabilities	27 731
Total liabilities of the disposal group held for sale	**5 864 695**

In December 2013 the Group’s Management decided to sell its investment in CJSC Settlement Depository Company (SDC) (Note 17). The deal was completed by the end of January 2014. Therefore, as of 31 December 2013 the Group presents investments in SDC of RUB 593 890 thousand as an asset held for sale under IFRS 5 “Non-current assets held for sale and discontinued operations”. Investments in SDC were measured at fair value less cost to sell. The Group recognized an impairment loss of RUB 29 426 thousand within Administrative and Other Operating Expenses.

23. Balances of Market Participants

	December 31, 2013	December 31, 2012
Current and settlement accounts of participants	233 476 408	210 858 198
Guarantee fund	85 024 992	34 258 124
Risk-covering funds	3 691 409	1 874 063
Total balances of market participants	**322 192 809**	**246 990 385**

(in thousands of Russian rubles, unless otherwise indicated)

23. Balances of Market Participants (continued)

The guarantee fund comprises contributions deposited by market participants (initial 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 collateral posted by a market participant in the guarantee fund, the participant is required to cover the deficit by posting additional 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 12, 14).

Market participants also pledge traded securities to the guarantee fund as collateral for their obligations. These securities are blocked at the participants' custody accounts in NSD and DCC. These securities are not assets of the Group and are not recognised in the Consolidated Statement of the Financial Position.

The risk-covering funds comprise contributions deposited 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 NCC Supervisory Board and it is approved by the Derivatives Market Committee, the Currency Market Committee, the Securities Market Committee and the Securities Lending & REPO Committee. Risk-covering funds amounts are only used to cover the deficit if a margin posted 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 12, 14).

24. Other Liabilities

	December 31, 2013	December 31, 2012
Other financial liabilities		
Payables to employees	1 194 828	1 195 461
Trade payables	412 380	384 173
Total other financial liabilities	**1 607 208**	**1 579 634**
Other non-financial liabilities		
Advances received	202 582	175 786
Taxes payable, other than income tax	114 857	631 891
Unallocated metal accounts	57 752	-
Other	75	5 881
Total other liabilities	**1 982 474**	**2 393 192**

(in thousands of Russian rubles, unless otherwise indicated)

25. Share Capital and Share Premium

The share capital of Moscow exchange comprises ordinary shares with a par value of RUB 1 each:

	Authorized shares (number of shares)	Ordinary shares issued and fully paid (number of shares)	Treasury shares (number of shares)
December 31, 2011	**2 578 200 000**	**2 197 409 846**	**(191 561 153)**
Issue of additional shares	-	-	165 650 445
Purchase of treasury shares	-	-	(32 225 118)
December 31, 2012	**2 578 200 000**	**2 197 409 846**	**(58 135 826)**
Issue of additional shares	-	181 079 307	(181 000 000)
Sale of treasury shares during IPO	-	-	109 090 910
Purchase of treasury shares	-	-	(27 943 570)
Exercised options	-	-	1 781 053
December 31, 2013	**2 578 200 000**	**2 378 489 153**	**(156 207 433)**

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

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.

In January-February 2013 the Group issued 181 079 307 shares, 181 000 000 of which were acquired by its subsidiary. The Group conducted an IPO on February 15, 2013 for total of RUB 15 000 000 thousand. In the course of the IPO the Group sold 109 090 910 treasury shares for the amount of RUB 6 000 000 thousand. The Group recognised RUB 220 781 thousand of transaction costs related to the IPO.

Following the IPO a stabilizing agent purchased 27 943 570 own shares of the Group on the market. The shares were then sold to the Group for RUB 1 527 896 thousand.

In July-December 2013 the Group distributed to employees 1 781 053 treasury shares under exercised share options (Note 10).

26. Retained Earnings

During the year ended December 31, 2013, the Group paid dividends for the year ended December 31, 2012, to the owners of the parent of RUB 2 726 362 thousand (December 31, 2012: RUB 682 856 thousand). The amount of dividends per share for the year ended December 31, 2013, is RUB 1,23 per ordinary share (December 31, 2012: 0,32 per ordinary share).

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.

(in thousands of Russian rubles, unless otherwise indicated)

27. 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.

	Year ended December 31, 2013	Year ended December 31, 2012
Net profit attributable to ordinary equity holders of the parent	**11 586 770**	**8 207 741**
Weighted average number of shares	**2 213 386 812**	**2 127 859 487**
Effect of dilutive share options	7 012 702	1 985 679
Weighted average number of shares adjusted for the effect of dilution	**2 220 399 514**	**2 129 845 166**
Basic earnings per share, RUB	5,23	3,86
Diluted earnings per share, RUB	5,22	3,85

28. Commitments and Contingencies

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, 2013	December 31, 2012
Less than 1 year	195 936	160 896
More than 1 year and no more than 5 years	640 412	559 096
Over 5 years	206 182	319 980
Total operating lease commitments	**1 042 530**	**1 039 972**

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 believes that 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.

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 is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

(in thousands of Russian rubles, unless otherwise indicated)

28. Commitments and Contingencies (continued)

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.

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.

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.

29. 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) Transactions with key management

Key management personnel comprises members of the Executive Board and the Board of Directors. The total remuneration paid to key management personnel includes short-term benefits (salary, bonuses, payroll related taxes, insurance, health care, etc.) and share-based payment expense.

	Year ended December 31, 2013	Year ended December 31, 2012
Short-term employee benefits	241 701	402 312
Share-based payment expense	203 479	113 397
Total remuneration of key management personnel	**445 180**	**515 709**

(b) Transactions with government-related entities

The entities controlled by the Russian Federation together hold more than 50% of voting shares of Moscow Exchange. Accordingly, the Russian Federation exercises control over Moscow Exchange.

The Group considers government-related entities as related parties if Russian Federation has control, joint control or significant influence 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 and government-related entities.

(in thousands of Russian rubles, unless otherwise indicated)

29. Transactions with Related Parties (continued)

(c) Transactions with associates

Included in the Consolidated Statement of Financial Position were the following amounts that arose on transactions with associates:

	December 31, 2013	December 31, 2012
Investments in associates	93 149	728 654
Other assets	2 662	7 642
Balances of market participants	9 539	1 588
Loans payable	50 790	-
Other liabilities	449	3 938

Included in the Consolidated Income Statement are the following amounts that arose due to transactions with associates:

	Year ended December 31, 2013	Year ended December 31, 2012
Share of profits of associates	74 605	59 179
Fee and commission income	40 470	34 740
Foreign currency difference	(579)	(360)
Interest expense	2 636	-
Administrative and other operating expenses	31 141	46 647

30. Fair Value Measurements

The Group performes a fair value assessment of its financial assets and liabilities, 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.

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 prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

(in thousands of Russian rubles, unless otherwise indicated)

30. Fair Value of Financial Assets and Liabilities (continued)

The foreign currency forward contracts are measured based on observable spot exchange rates and the yield curves of the respective currencies.

The fair value of the unquoted debt securities has been determined using a discounted cash flow model, by reference to quoted market prices for similar instruments.

The fair value of unquoted equity instruments has been determined based on market approach using price/net assets ratio for similar companies.

The table below analyses financial assets and liabilities measured at fair value at December 31, 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value though profit or loss	16 131 684	5 042	62 999	**16 199 725**
Central counterparty financial assets (currency transactions)	2 301 781	-	-	**2 301 781**
Investments avaliable-for-sale	71 047 470	3 117 458	87 124	**74 252 052**

Financial assets and liabilities measured at fair value at December 31, 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value though profit or loss	17 958 879	-	66 960	**18 025 839**
Central counterparty financial assets (currency transactions)	639 114	-	-	**639 114**
Investments avaliable-for-sale	53 791 969	2 714 640	167 913	**56 674 522**

(in thousands of Russian rubles, unless otherwise indicated)

30. Fair Value of Financial Assets and Liabilities (continued)

The following table shows a reconciliation for year ended December 31, 2013 and December 31, 2012, for fair value measurements in Level 3 of the fair value hierarchy:

	FVTPL	**AFS**
Balance at December 31, 2011	**68 096**	**222 503**
Level 3 securities purchased	-	10 864
Level 3 securities sold	-	(64 117)
Foreign exchange gain	-	(1 337)
Loss recognized in net loss on financial assets at fair value through profit or loss	(1 136)	(0)
Balance at December 31, 2012	**66 960**	**167 913**
Level 3 securities sold	-	(38 697)
Loss recognized in net loss on financial assets available-for-sale	-	(42 264)
Loss recognized in net loss on financial assets at fair value through profit or loss	(3 961)	-
Foreign exchange gain	-	172
Balance at December 31, 2013	**62 999**	**87 124**

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

	December 31, 2012	
	Carrying value	**Fair value**
Investments held-to-maturity (Level 1)	529 842	529 249
Written put option over own shares (Level 3)	23 318 767	646 055

The fair value of the put option is estimated using the Monte Carlo method. The model of stochastic processes for changes in Moscow Exchange shares prices, MICEX Index and FTSE Mondo Visione Exchanges Index was based on the following assumptions: 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.

31. 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 profit divided by total equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

(in thousands of Russian rubles, unless otherwise indicated)

31. Capital Management (continued)

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 CBR 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 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).

Regulatory capital ratios for the major Group companies were as follows:

	Own funds		Own funds requirements		Capital adequacy ratio	
	December 31, 2013	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**
Moscow Exchange	37 534 813	24 104 646	150 000	150 000	-	-
NCC	28 755 467	13 167 983	180 000	180 000	21.69	16.55
NSD	7 308 475	6 003 088	4 000 000	4 000 000	30.32	32.15
SC RTS	1 131 005	1 374 891	-	-	87.86	69.6
MICEX SE	1 221 879	1 012 240	150 000	150 000	-	-
DCC	1 262 180	1 172 329	250 000	250 000	-	-

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

32. Risk Management Policies

Risk management is a material element of the Group's activities and is applied to the following risks inherent to the Group's activity: credit, currency, liquidity, interest rate and operational risks. The main objective of financial risk management is to identify the sources of risks and measure risks, 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 risk management procedures 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 have insufficient funds to meet its financial liabilities. 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. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

32. Risk Management Policies (continued)

Liquidity risk (continued)

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 financial assets and liabilities are presented on a discounted basis and are based on their expected cash flows.

The presentation below is based upon the information provided internally to key management personnel of the Group. Table for the year ended December 31, 2013 does not include equity instruments.

(in thousands of Russian rubles, unless otherwise indicated)

32. 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, 2013 Total
FINANCIAL ASSETS						
Cash and cash equivalents	255 041 610	-	-	-	-	**255 041 610**
Cash and cash equivalents included into Disposal Group	2 018 877	-	-	-	-	**2 018 877**
Financial assets at fair value though profit or loss	16 136 726	-	-	-	62 999	**16 199 725**
Due from financial institutions	20 716 288	7 036 179	1 177 787	-	-	**28 930 254**
Central counterparty financial assets	47 008 536	-	-	-	-	**47 008 536**
Investments avaliable-for-sale	58 083 942	973 050	9 980 316	5 127 620	87 124	**74 252 052**
Other financial assets	345 225	45 805	-	-	-	**391 030**
Total financial assets	**399 351 204**	**8 055 034**	**11 158 103**	**5 127 620**	**150 123**	**423 842 084**
FINANCIAL LIABILITIES						
Balances of market participants	322 192 809	-	-	-	-	**322 192 809**
Balances of market participants included into Disposal Group	5 836 964	-	-	-	-	**5 836 964**
Central counterparty financial liabilities	47 008 536	-	-	-	-	**47 008 536**
Distributions payable to holders of securities	3 670 761	-	-	-	-	**3 670 761**
Loans payable	68	30 493	20 297	-	-	**50 858**
Other financial liabilities	381 539	1 052 857	172 812	-	-	**1 607 208**
Total financial liabilities	**379 090 677**	**1 083 350**	**193 109**	**-**	**-**	**380 367 136**
Liquidity gap	**20 260 527**	**6 971 684**	**10 964 994**	**5 127 620**	**150 123**	
Cumulative liquidity gap	**20 260 527**	**27 232 211**	**38 197 205**	**43 324 825**	**43 474 948**	

(in thousands of Russian rubles, unless otherwise indicated)

32. 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, 2012 Total
FINANCIAL ASSETS						
Cash and cash equivalents	193 356 484	–	–	–	–	**193 356 484**
Financial assets at fair value though profit or loss	18 025 839	–	–	–	–	**18 025 839**
Due from financial institutions	5 196 051	4 584 609	3 946 207	–	–	**13 726 867**
Central counterparty financial assets	2 823 444	–	–	–	–	**2 823 444**
Investments avaliable-for-sale	47 097 071	525 299	6 170 425	2 713 814	167 913	**56 674 522**
Investments held-to-maturity	–	89 380	440 462	–	–	**529 842**
Other financial assets	362 814	76 795	–	–	–	**439 609**
TOTAL FINANCIAL ASSETS	**266 861 703**	**5 276 083**	**10 557 094**	**2 713 814**	**167 913**	**285 576 607**
FINANCIAL LIABILITIES						
Balances of market participants	246 990 385	–	–	–	–	**246 990 385**
Written out option over own shares	–	–	646 055	–	–	**646 055**
Central counterparty financial liabilities	2 823 444	–	–	–	–	**2 823 444**
Distributions payable to holders of securities	4 436 856	–	–	–	–	**4 436 856**
Loans payable	15 218	5 025	–	–	–	**20 243**
Other financial liabilities	116 302	1 240 669	185 158	37 505	–	**1 579 634**
TOTAL FINANCIAL LIABILITIES	**254 382 205**	**1 245 694**	**831 213**	**37 505**	**–**	**256 496 617**
Liquidity gap	**12 479 498**	**4 030 389**	**9 725 881**	**2 676 309**	**167 913**	
Cumulative liquidity gap	**12 479 498**	**16 509 887**	**26 235 768**	**28 912 077**	**29 079 990**	

(in thousands of Russian rubles, unless otherwise indicated)

32. 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. As of December 31, 2012 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 was RUB 24 114 414 thousand (undiscounted). In 2013 the option lapsed (Note 4).

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 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 value due to changes in the interest rates based on positions existing as at December 31, 2013 and December 31, 2012, and a reasonably possible changes of 100 bp (December 31, 2012: 150 bp) symmetrical fall or rise in all yield curves is as follows:

	Year ended December 31, 2013		Year ended December 31, 2012	
	Net profit	**Equity**	**Net profit**	**Equity**
100 bp parallel rise (December 31, 2012: 150 bp)	(179 077)	(755 345)	(96 018)	(915 194)
100 bp parallel fall (December 31, 2012: 150 bp)	182 361	767 729	98 206	934 633

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 in each company of the Group are approved by the Executive Board based on the credit risk management system that is approved by the Moscow Exchange 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.

(in thousands of Russian rubles, unless otherwise indicated)

32. Risk Management Policies (continued)

Credit risk (continued)

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. Collateral deposited by clearing members is included into the guarantee fund (Note 23).

In addition to providing margin and collateral payments for current transactions, clearing members must contribute to a risk-covering fund. The risk-covering fund (Note 23) provides collective protection against the financial consequences of any default 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, US Dollars and Euros. Eligible types of collateral depend on the market and the type of the exposure.

Maximum credit risk exposure

The Group's maximum exposure to credit risk equals to the carrying value of assets that bear credit risk.

As at December 31, 2013 included into other assets are overdue receivables of RUB 27 421 thousand (December 31, 2012: RUB 3 931 thousand).

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.

As at December 31, 2013 and 2012, balances with the CBR are graded in accordance with the sovereign credit rating of the Russian Federation.

The following table details the credit ratings of financial assets held by the Group as at December 31, 2013 :

	AA	A	BBB	less BBB-	Not rated	December 31, 2013 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	6 154 438	145 176 963	102 707 655	156 283	842 532	**255 037 871**
Cash and cash equivalents included into Disposal Group	-	-	2 018 877	-	-	**2 018 877**
Financial assets at fair value though profit or loss	-	-	16 131 684	-	5 042	**16 136 726**
Due from financial institutions	5 001 218	-	23 297 950	113 202	517 884	**28 930 254**
Central counterparty financial assets	-	-	4 560 874	3 444 162	39 003 500	**47 008 536**
Investments avaliable-for-sale	-	-	53 854 903	20 310 025	-	**74 164 928**
Other financial assets	10 335	1 133	121 109	17 778	240 675	**391 030**

(in thousands of Russian rubles, unless otherwise indicated)

32. Risk Management Policies (continued)

Credit risk (continued)

The following table details the credit ratings of financial assets held by the Group as at December 31, 2012:

	AA	A	BBB	less BBB-	Not rated	December 31, 2012 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	221 402	87 826 052	104 625 771	–	676 529	**193 349 754**
Financial assets at fair value though profit or loss	–	–	17 958 879	–	–	**17 958 879**
Due from financial institutions	348 614	–	10 442 312	2 283 283	652 658	**13 726 867**
Central counterparty financial assets	–	–	84 522	356 426	2 382 496	**2 823 444**
Investments avaliable-for-sale	–	–	39 961 825	16 544 784	–	**56 506 609**
Investments held-to-maturity	–	–	93 210	436 632	–	**529 842**
Other financial assets	–	–	64 421	3 881	371 307	**439 609**

Currency risk

The Group is exposed 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 tables below:

	RUB	USD	EUR	Other currencies	December 31, 2013 Total
FINANCIAL ASSETS					
Cash and cash equivalents	41 851 256	141 898 447	71 156 758	135 149	**255 041 610**
Cash and cash equivalents included into Disposal Group	2 018 877	-	-	-	**2 018 877**
Financial assets at fair value though profit or loss	16 199 725	-	-	-	**16 199 725**
Due from financial institutions	23 297 950	5 320 502	-	311 802	**28 930 254**
Central counterparty financial assets	47 008 536	-	-	-	**47 008 536**
Investments avaliable-for-sale	64 218 741	10 028 325	1 493	3 493	**74 252 052**
Other financial assets	351 096	27 736	1 088	11 110	**391 030**
Total financial assets	**194 946 181**	**157 275 010**	**71 159 339**	**461 554**	**423 842 084**
FINANCIAL LIABILITIES					
Balances of market participants	95 872 731	155 201 369	70 999 945	118 764	**322 192 809**
Balances of market participants included into Disposal Group	5 836 964	-	-	-	**5 836 964**
Central counterparty financial liabilities	47 008 536	-	-	-	**47 008 536**
Distributions payable to holders of securities	3 311 499	358 974	-	288	**3 670 761**
Loans payable	50 858	-	-	-	**50 858**
Other financial liabilities	1 536 541	36 779	20 505	13 383	**1 607 208**
Total financial liabilities	**153 617 129**	**155 597 122**	**71 020 450**	**132 435**	**380 367 136**
Derivatives	**1 480 029**	**(1 480 029)**	-	-	-
Open position	**42 809 081**	**197 859**	**138 889**	**329 119**	

(in thousands of Russian rubles, unless otherwise indicated)

32. Risk Management Policies (continued)

Currency risk (continued)

	RUB	USD	EUR	Other currencies	December 31, 2012 Total
FINANCIAL ASSETS					
Cash and cash equivalents	65 518 861	53 489 523	73 766 180	581 920	**193 356 484**
Financial assets at fair value though profit or loss	18 025 839	–	–	–	**18 025 839**
Due from financial institutions	12 795 367	931 500	–	–	**13 726 867**
Central counterparty financial assets	2 823 444	–	–	–	**2 823 444**
Investments avaliable-for-sale	47 182 122	9 467 470	1 336	23 594	**56 674 522**
Investments held-to-maturity	529 842	–	–	–	**529 842**
Other financial assets	352 646	25 740	38 752	22 471	**439 609**
TOTAL FINANCIAL ASSETS	**147 228 121**	**63 914 233**	**73 806 268**	**627 985**	**285 576 607**
FINANCIAL LIABILITIES					
Balances of market participants	109 841 011	63 172 587	73 683 288	293 499	**246 990 385**
Written out option over own shares	23 318 767	–	–	–	**23 318 767**
Central counterparty financial liabilities	2 823 444	–	–	–	**2 823 444**
Distributions payable to holders of securities	4 011 664	425 192	–	–	**4 436 856**
Loans payable	20 243	–	–	–	**20 243**
Other financial liabilities	1 422 115	134 261	6 438	16 820	**1 579 634**
TOTAL FINANCIAL LIABILITIES	**141 437 244**	**63 732 040**	**73 689 726**	**310 319**	**279 169 329**
Open position	**5 790 877**	**182 193**	**116 542**	**317 666**	

The following exchange rates are applied during the period:

	December 31, 2013		December 31, 2012	
	USD	**EUR**	**USD**	**EUR**
Minimum	29,9251	39,6385	28,9468	38,4117
Maximum	33,4656	45,3688	34,0395	42,2464
Average	31,9063	42,4001	31,0742	39,9083
Period-end	32,7292	44,9699	30,3727	40,2286

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, 2013 and December 31, 2012, and a reasonably possible changes of a 10% change of Russian Rouble to USD and Euro exchange rates is as follows:

	December 31, 2013		December 31, 2012	
	USD	**EUR**	**USD**	**EUR**
	10%	**10%**	**10%**	**10%**
10% rouble appreciation	(15 829)	(11 111)	(14 575)	(9 323)
10% rouble depreciation	15 829	11 111	14 575	9 323

32. Risk Management Policies (continued)

Geographical concentration

All assets of the Group 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 12);
- Other deposits with top OECD banks, which are reported in balances due from financial institutions of as at December 31, 2013: RUB 5 001 218 thousand (December 31, 2012: RUB 348 614 thousand) (Note 14);
- Balances placed by CJSC PFTS Stock Exchange with one of the top Ukranian banks that are reported in cash and cash equivalents of RUB 1 272 thousand as at December 31, 2013 (December 31, 2012: RUB 274 535 thousand) and in due from financial institutions of RUB 311 802 thousand as at December 31, 2013 (December 31, 2012: nil);
- Short-term reverse repo receivable from a financial institution registered in Cyprus (Note 14);
- Balances placed by ETS with one of the top Kazakh banks that are reported in cash and cash equivalents of RUB 10 464 thousand as at December 31, 2013 (December 31, 2012: RUB 12 315 thousand).

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.

33. Offsetting of financial instruments

Gross claims and liabilities with individual counterparties under CCP currency transactions are offset in accordance with IAS 32.

Direct and reverse repo transactions with individual counterparties are subject to clearing rules that create a contingent right of set-off that does not qualify for offsetting.

Clearing participants are required to deposit collateral in the form of cash or securities for current deals and make contribution to a risk-covering fund, as described in Note 32. Clearing rules give the Group right to use these amounts under certain conditions (e.g. in case of default).

(in thousands of Russian rubles, unless otherwise indicated)

33. Offsetting of financial instruments (continued)

The table below shows financial assets and liabilities offset in the statement of financial position, as well as the effect of clearing agreements that do not result in an offset in the statement of financial position:

	December 31, 2013			Related amounts not set off in the statement of the financial position		
	Gross claims	Gross liabilities	Net amount presented in financial statements	Financial instruments	Cash collateral received	Net amount
Central counterparty financial assets (repo transactions)	44 706 755	-	44 706 755	(44 706 755)	-	-
Central counterparty financial assets (currency transactions)	2 607 544	(305 763)	2 301 781	-	(2 301 781)	-
Central counterparty financial liabilities (repo transactions)	-	(44 706 755)	(44 706 755)	44 706 755	-	-
Central counterparty financial liabilities (currency transactions)	345 871	(2 647 652)	(2 301 781)	-	-	(2 301 781)

	December 31, 2012			Related amounts not set off in the statement of the financial position		
	Gross claims	Gross liabilities	Net amount presented in financial statements	Financial instruments	Cash collateral received	Net amount
Central counterparty financial assets (repo transactions)	2 184 330	-	2 184 330	(2 184 330)	-	-
Central counterparty financial assets (currency transactions)	767 595	(128 481)	639 114	-	(639 114)	-
Central counterparty financial liabilities (repo transactions)	-	(2 184 330)	(2 184 330)	2 184 330	-	-
Central counterparty financial liabilities (currency transactions)	253 379	(892 493)	(639 114)	-	-	(639 114)

34. Subsequent Events

In January 2014 the Group sold MICEX-IT and SDC. As a result of sale the Group recognised gain of RUB 317 195 thousand.

In January 2014 the Group purchased 22,22% stake of CJSC NAMEX and acquired control. As a result of the transaction the Group recognised a gain of a bargain purchase of RUB 69 423 thousand.

(in thousands of Russian rubles, unless otherwise indicated)

Supplementary information – Fiduciary assets (unaudited)

	Fair value for shares / Par value for bonds	
	December 31, 2013 (RUB mln)	**December 31, 2012 (RUB mln)**
Corporate shares	12 136 819	4 536 827
Corporate bonds	4 660 383	3 686 224
Bonds issued by Russian Federation	3 734 835	3 296 738
Eurobonds	564 874	233 360
Bonds of RF subjects and municipal bodies	461 741	383 667
Units of mutual investment funds	205 004	154 103
Total	**21 763 656**	**12 290 919**

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 65 million (December 31, 2012: USD 65 million).