OPEN JOINT-STOCK COMPANY MOSCOW EXCHANGE MICEX-RTS

Consolidated Financial Statements
For the Year Ended December 31, 2014

MOSCOW EXCHANGE GROUP

Table of Contents

Page

EY
Совершенствуя бизнес,
улучшаем мир

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

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

Independent 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 2014, the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of cash flows and consolidated statement of changes in equity for the year 2014, 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 about 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, 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 2014, and their financial performance and cash flows for the year 2014 in accordance with International Financial Reporting Standards.

E.V. Zaichikova
Partner
Ernst & Young Vneshaudit CJSC

11 March 2015

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 self-regulatory organization of Non Profit partnership "Russian Audit Chamber" ("NP APR"). CJSC Ernst & Young Vneshaudit is 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, 2014
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
Fee and commission income	7	15 585 951	12 792 116
Interest and other finance income	8	13 989 692	11 238 543
Interest expense		(530 566)	(5 280)
Net loss on financial assets available-for-sale	9	(1 588 205)	(672 539)
Foreign exchange gains less losses	10	2 408 489	1 194 224
Other operating income	11	528 682	58 909
Operating Income		**30 394 043**	**24 605 973**
Administrative and other operating expenses	12	(4 978 494)	(5 029 989)
Personnel expenses	13	(5 394 764)	(4 827 004)
Operating Profit		**20 020 785**	**14 748 980**
Interest expense in respect of written put option over own shares		-	(199 686)
Share of profits of associates		7 356	74 605
Profit before Tax		**20 028 141**	**14 623 899**
Income tax expense	14	(4 034 976)	(3 042 205)
Net Profit		**15 993 165**	**11 581 694**
Attributable to:			
Equity holders of the parent		16 041 416	11 586 770
Non-controlling interest		(48 251)	(5 076)
Earnings per share			
Basic earnings per share, rubles	29	7,21	5,23
Diluted earnings per share, rubles	29	7,18	5,22

Chairman of the Executive Board
Afanasiev A.K.

March 6, 2015
Moscow

Chief Financial Officer
Fetisov E.E.

March 6, 2015
Moscow

The notes 1-36 form an integral part of these consolidated financial statements.

MOSCOW EXCHANGE GROUP

Consolidated Statement of Other Comprehensive Income for the Year Ended December 31, 2014
(in thousands of Russian rubles)

		Year ended December 31, 2014	Year ended December 31, 2013
Net profit		**15 993 165**	**11 581 694**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(44 269)	35 895
Net loss resulting from revaluation of investments available-for-sale		(2 897 556)	(1 020 952)
Net loss on investments available-for sale reclassified to profit or loss	9	1 588 205	672 539
Income tax relating to items that may be reclassified		261 871	69 682
Other comprehensive losses that may be reclassified subsequently to profit or loss		**(1 091 749)**	**(242 836)**
Total comprehensive income		**14 901 416**	**11 338 858**
Attributable to:			
Equity holders of the parent		14 923 977	11 325 839
Non-controlling interest		(22 561)	13 019
Total comprehensive income		**14 901 416**	**11 338 858**

The notes 1-36 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at December 31, 2014
(in thousands of Russian rubles)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Cash and cash equivalents	15	1 163 783 135	255 041 610
Financial assets at fair value though profit or loss	16	11 441 991	16 199 725
Due from financial institutions	17	39 828 042	28 959 295
Central counterparty financial assets	18	139 609 774	47 008 536
Assets held for sale		-	2 723 667
Investments available-for-sale	19	80 950 315	74 252 052
Investments in associates	20	46 132	93 149
Property and equipment	21	6 050 342	6 262 365
Intangible assets	22	18 150 283	18 782 590
Goodwill	23	15 971 420	16 071 458
Current tax prepayments		39 467	210 547
Deferred tax asset	14	172 596	186 564
Other assets	24	1 461 375	673 063
TOTAL ASSETS		**1 477 504 872**	**466 464 621**
LIABILITIES			
Balances of market participants	25	1 231 999 104	322 250 561
Central counterparty financial liabilities	18	139 609 774	47 008 536
Distributions payable to holders of securities		6 353 006	3 670 761
Loans payable		-	50 858
Liabilities related to assets held for sale		-	5 864 695
Deferred tax liability	14	4 015 600	3 824 032
Current tax payables		736 669	76 305
Other liabilities	26	2 943 262	1 924 722
TOTAL LIABILITIES		**1 385 657 415**	**384 670 470**
EQUITY			
Share capital	27	2 498 144	2 597 997
Share premium	27	32 527 989	38 953 810
Treasury shares	27	(3 364 997)	(10 194 083)
Foreign currency translation reserve		(62 480)	7 479
Investments revaluation reserve		(1 328 162)	(280 682)
Share-based payments		437 354	367 972
Retained earnings	28	60 735 592	49 999 048
Total equity attributable to owners of the parent		**91 443 440**	**81 451 541**
Non-controlling interest		404 017	342 610
TOTAL EQUITY		**91 847 457**	**81 794 151**
TOTAL LIABILITIES AND EQUITY		**1 477 504 872**	**466 464 621**

(in thousands of Russian rubles)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES:			
Profit before tax		20 028 141	14 623 899
Adjustments for:			
Depreciation and amortization charge	12	1 588 018	1 569 490
Interest expense on written put option on own shares		-	199 686
Fair value adjustment on securities at fair value through profit or loss		369 215	(107 889)
Share-based payment expense		233 827	287 752
Unrealized (gain) / loss on foreign exchange operations		(53 531)	218 680
Share of profits of associates		(7 356)	(74 605)
Loss on disposal of investments available-for-sale	9	1 588 205	672 539
Net change in interest accruals		3 246	(129 032)
Net loss on disposal of property and equipment and intangible assets	12	26 413	156 122
Gain from revaluation of previously held equity interest in the acquiree	6	(38 664)	-
Impairment of goodwill and other intangible assets	12	209 775	-
Impairment of other assets		8 698	27 637
Impairment of investments in associates	12	-	118 715
Bargain gain	6	(18 596)	-
Provision for onerous contracts	12	173 203	-
Gain on disposal of non-current assets held for sale	11	(313 560)	-
Changes in operating assets and liabilities:			
Due from financial institutions		(5 066 891)	(15 110 563)
Financial assets at fair value through profit or loss		(146 417)	1 465 565
Central counterparty financial assets		(92 601 238)	(44 185 092)
Other assets		(195 941)	(36 431)
Balances of market participants		588 493 842	64 578 215
Central counterparty financial liabilities		92 601 238	44 185 092
Distributions payable to holders of securities		2 682 245	(766 095)
Other liabilities		696 231	(412 871)
Cash flows from operating activities before taxation		610 260 103	67 280 814
Income tax paid		(2 752 593)	(2 826 984)
Cash flows from operating activities		**607 507 510**	**64 453 830**

Consolidated Statement of Cash Flows for the Year Ended December 31, 2014 (Continued)
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES:			
Purchase of investments available-for-sale		(60 565 857)	(63 758 159)
Proceeds from disposal of investments available-for-sale		58 870 341	46 003 713
Purchase of property and equipment and intangible assets		(1 110 508)	(1 044 626)
Proceeds from redemption of investments held-to-maturity		-	520 069
Proceeds from disposal of property and equipment and intangible assets		5 370	25 071
Proceeds from sale of investments in associates		593 890	-
Acquisition of subsidiaries, net of cash acquired	6	5 857	-
Disposal of subsidiaries, net of cash disposed		440 000	-
Cash flows used in investing activities		**(1 760 907)**	**(18 253 932)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES:			
Dividends paid		(5 310 171)	(2 726 452)
Sale of treasury shares		138 967	41 502
Acquisition of non-controlling interest in subsidiaries		(2 057)	(27)
Disposal of non-controlling interest in subsidiaries		-	1 519
IPO proceeds, net of transaction costs paid		-	5 757 600
Acquisition of treasury shares		-	(1 527 896)
Loans (repaid) / received		(50 068)	30 055
Proceeds from issue of ordinary shares		-	5 822
Cash flows (used in) / from financing activities		**(5 223 329)**	**1 582 123**
Effect of changes in foreign exchange rates on cash and cash equivalents		306 199 374	15 921 982
Net increase in cash and cash equivalents		**906 722 648**	**63 704 003**
Cash and cash equivalents, beginning of year	15	**257 060 487**	**193 356 484**
Cash and cash equivalents, end of year	15	**1 163 783 135**	**257 060 487**

Interest received by the Group during the year ended December 31, 2014, amounted to RUB 14 464 307 thousand (December 31, 2013: RUB 11 014 096 thousand).

Interest paid by the Group during the year ended December 31, 2014, amounted to RUB 531 357 thousand (December 31, 2013: RUB 4 720 thousand).

MOSCOW EXCHANGE GROUP

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2014
(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, 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 year	**-**	**-**	**-**	**-**	**(278 731)**	**-**	**17 800**	**11 586 770**	**11 325 839**	**13 019**	**11 338 858**
Transactions with owners											
Issue of shares	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 treasury 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**
Net profit	-	-	-	-	-	-	-	16 041 416	16 041 416	(48 251)	15 993 165
Other comprehensive income	-	-	-	-	(1 047 480)	-	(69 959)	-	(1 117 439)	25 690	(1 091 749)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(1 047 480)**	**-**	**(69 959)**	**16 041 416**	**14 923 977**	**(22 561)**	**14 901 416**
Transactions with owners											
Cancellation of treasury shares	(99 853)	(6 416 523)	6 516 376	-	-	-	-	-	-	-	-
Share-based payments	-	(9 298)	312 710	-	-	69 382	-	-	372 794	-	372 794
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	91 326	91 326
Dividends declared	-	-	-	-	-	-	-	(5 310 139)	(5 310 139)	(34)	(5 310 173)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	5 267	5 267	(7 324)	(2 057)
Total transactions with owners	**(99 853)**	**(6 425 821)**	**6 829 086**	**-**	**-**	**69 382**	**-**	**(5 304 872)**	**(4 932 078)**	**83 968**	**(4 848 110)**
December 31, 2014	**2 498 144**	**32 527 989**	**(3 364 997)**	**-**	**(1 328 162)**	**437 354**	**(62 480)**	**60 735 592**	**91 443 440**	**404 017**	**91 847 457**

The notes 1-36 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 operates on the following markets: foreign currencies exchange market, government securities and money market, market of derivative financial instruments, equities market, corporate and regional bonds market, commodities market.

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

Name	Principal activities	December 31, 2014 Voting rights, %	December 31, 2013 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%
Non-banking Credit Organisation Settlement Chamber RTS CJSC (SC RTS)	Settlement services	-	100%
CJSC DCC (former CJSC Depository Clearing Company) (DCC)	Depository services	99,995%	99,995%
Open Joint-Stock Company Evraziyskaia Trading System Commodity Exchange (ETS)	Commodities exchange operations	60,82%	60,82%
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%
PJSC 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%
CJSC National Mercantile Exchange (NAMEX)	Commodities exchange operations	61,90%	36,51%

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, CFI and pre-LEI codes. NSD holds licenses for depository, clearing and settlement operations issued by the Central Bank of Russia (CBR).

1. Organization (continued)

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

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. At the end of 2012 this line of business was transferred to NCC. In August 2014 CC RTS was merged with NCC.

SC RTS was a non-banking credit institution and had a license to perform settlement services issued by the CBR. In August 2014 SC RTS was merged with NCC.

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

LLC ME Technology provides technical support of exchange activities and IT services to Moscow Exchange clients.

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

In 2014 the Group obtained control over CJSC National Mercantile Exchange (NAMEX), which is a commodity exchange operating in Russia (refer to Note 6).

In 2014 the Group sold its stake in its subsidiary MICEX-IT.

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 1 636 employees as at December 31, 2014 (December 31, 2013: 1 692 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 are investees controlled by the Group. The Group controls an investee when it is exposed to, 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. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until 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.

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

Business combinations

Business combinations 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.

3. Significant Accounting Policies (continued)

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment 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 Statement of Profit or Loss. 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.

3. Significant Accounting Policies (continued)

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.

Financial assets

The Group recognizes financial assets and liabilities in its Consolidated Statement of Financial Position when it becomes a party to the contractual provisions 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 32.

Held-to-maturity investments

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

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.

3. Significant Accounting Policies (continued)

Financial assets (continued)

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.

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
- probability 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.

3. Significant Accounting Policies (continued)

Financial assets (continued)

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.

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 25.

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.

Precious metals

Precious metals are represented by physical precious metals and accounts in precious metals. Precious metals are recorded on the reporting date at CBR prices, which approximate fair values. Corresponding accounts in precious metals are recorded within Due from financial institutions and physical precious metals are recorded within Other assets. Clients' accounts in precious metals are recorded within Balances of market participants. Precious metals are not financial instruments and therefore excluded from financial risk management disclosures in accordance with IFRS 7.

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.

3. Significant Accounting Policies (continued)

Property and equipment (continued)

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives 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.

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Impairment of tangible and intangible assets

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

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

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

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

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

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.

3. Significant Accounting Policies (continued)

Taxation

Current income tax

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

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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 Statement of Profit or Loss.

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 13).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

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.

3. Significant Accounting Policies (continued)

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.

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, 2014 and December 31, 2013, 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, 2014.

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:

3. Significant Accounting Policies (continued)

Adoption of new and revised standards (continued)

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

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

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 Impairment of Assets)

The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amendments had no impact on the Group.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and do not have any material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

Amendments to IFRS 13 Short-term Receivables and Payables

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

IFRS 13 Fair Value Measurement (*Annual improvements 2011-2013 Cycle****)***

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

3. Significant Accounting Policies (continued)

Adoption of new and revised standards (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

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption 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.

IFRS 15 Revenue

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 Leases, insurance contracts within the scope of IFRS 4 Insurance Contracts and financial instruments and other contractual rights and obligations within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if early adopted) is out of IFRS 15 scope and is dealt by respective standards.

Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Annual improvements 2012-2014 Cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Group. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

3. Significant Accounting Policies (continued)

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

IFRS 7 Financial Instruments: Disclosures - applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that “An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.
The amendment removes the phrase ’and interim periods within those annual periods’, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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.

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, 2014, the gross receivables totalled RUB 629 465 thousand (December 31, 2013: RUB 420 075 thousand) and allowance for impairment losses amounted to RUB 37 743 thousand (December 31, 2013: RUB 29 045 thousand).

(in thousands of Russian rubles, unless otherwise indicated)

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

Key sources of estimation uncertainty

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 32.

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 13.

5. Changes in presentation

Changes were made to the presentation of the following items in the consolidated statement of financial position, compared to consolidated statement of financial position for the year ended December 31, 2013, as the current presentation provides better view of the financial performance of the Group:

	As previously reported	**Reclassification of accounts in precious metals**	**As presented in this Financial Statements**
Due from financial institutions	28 930 254	29 041	28 959 295
Other assets	702 104	(29 041)	673 063
Balances of market participants	322 192 809	57 752	322 250 561
Other liabilities	1 982 474	(57 752)	1 924 722

(in thousands of Russian rubles, unless otherwise indicated)

6. Business combination

On January 1, 2014, the Group obtained control over CJSC National Mercantile Exchange (NAMEX), which is a commodity exchange operating in Russia. The acquisition was made following the Group's strategy to develop its commodity market.

The fair value of identifiable assets and liabilities of NAMEX at the date of acquisition were:

ASSETS	
Cash and cash equivalents	28 911
Due from financial institutions	128 910
Intangible assets	103 063
Current tax prepayments	2 521
Other assets	8 742
Total assets	**272 147**
LIABILITIES	
Balances of market participants	22 329
Deferred tax liability	19 480
Other liabilities	9 048
Total liabilities	**50 857**
Net identifiable assets and liabilities	**221 290**
Non-controlling interest	(91 326)
Fair value of previously held equity interest in the acquiree	(88 314)
Gain from a bargain purchase (included in other operating income)	(18 596)
Consideration transferred	**23 054**
Cash flow on acquisition	
Consideration paid by cash	(23 054)
Cash acquired with the subsidiary	28 911
Net cash flow on acquisition (included in cash flows from investing activities)	**5 857**

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

The Group recognised a gain of RUB 38 664 thousand as a result of remeasuring to fair value the equity interest in NAMEX held by the Group before the business combination.

(in thousands of Russian rubles, unless otherwise indicated)

7. Fee and Commission Income

	Year ended December 31, 2014	**Year ended December 31, 2013**
Foreign exchange	3 407 973	2 411 555
Money market	3 235 000	2 530 608
Depository and settlement services	3 188 631	2 322 788
Securities market	3 150 871	3 000 805
Derivatives	1 636 573	1 566 046
Sale of software and technical services	496 169	496 146
Information services	436 168	301 286
Other	34 566	162 882
Total fee and commission income	**15 585 951**	**12 792 116**

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

	Year ended December 31, 2014	**Year ended December 31, 2013**
Equities	1 765 744	1 403 671
Bonds	1 034 095	1 379 112
Listing and other service fees	351 032	218 022
Total fee and commission income from securities market	**3 150 871**	**3 000 805**

(in thousands of Russian rubles, unless otherwise indicated)

8. Interest and Other Finance Income

	Year ended December 31, 2014	Year ended December 31, 2013
Income on securities at fair value through profit or loss		
Interest income	952 105	632 392
Net (loss) / profit on securities at fair value through profit or loss	(470 579)	94 855
Total income on securities at fair value through profit or loss	**481 526**	**727 247**
Interest income on financial assets other than at fair value through profit or loss		
Interest on cash and cash equivalents and due from financial institutions	7 597 358	5 201 376
Interest income on investments available-for-sale	5 910 808	5 299 122
Interest on investments held-to-maturity	-	10 798
Total interest income on financial assets other than at fair value through profit or loss	**13 508 166**	**10 511 296**
Total interest and other finance income	**13 989 692**	**11 238 543**

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

In the year ended December 31, 2014 the Group recognized a net loss on financial assets available-for-sale of RUB 1 588 205 thousand (year ended December 31, 2013: loss of RUB 672 539 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.

10. Foreign Exchange Gains Less Losses

	Year ended December 31, 2014	Year ended December 31, 2013
Foreign exchange swaps	2 224 540	1 156 261
Net other foreign exchange gain	183 949	37 963
Total foreign exchange gains less losses	**2 408 489**	**1 194 224**

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)

11. Other operating income

	Year ended December 31, 2014	Year ended December 31, 2013
Gain on sale of MICEX-IT (Note 1)	313 560	-
Advisory fee	83 364	-
Revaluation of previously owned share in NAMEX (Note 6)	38 664	-
Bargain gain on acquisition of NAMEX (Note 6)	18 596	-
Income from lease	18 451	22 732
Other income	56 047	36 177
Total other operating income	**528 682**	**58 909**

12. Administrative and Other Operating Expenses

	Year ended December 31, 2014	Year ended December 31, 2013
Amortisation of intangible assets	1 094 849	1 039 778
Professional services	616 172	570 687
Equipment and intangible assets maintenance	507 548	384 547
Depreciation of property and equipment	493 169	529 712
Rent and office maintenance	435 073	408 987
Taxes, other than income tax	429 535	622 804
Market makers fees	363 350	557 123
Advertising and marketing costs	309 429	265 120
Impairment of goodwill and other intangible assets (Notes 22, 23)	209 775	-
Provision for onerous contracts (Note 26)	173 203	-
Communication services	115 721	137 404
Business trip expenses	57 535	55 811
Security expenses	34 052	34 672
Charity	31 981	21 041
Loss on disposal of property, equipment and intangible assets	26 413	156 122
Transport expenses	21 543	23 795
Impairment of investments in associates	-	118 715
Other	59 146	103 671
Total administrative and other operating expenses	**4 978 494**	**5 029 989**

During the year ended December 31, 2014 the Group recognised impairment of goodwill and other intangible assets related to the Ukrainian business at the amount of RUB 180 970 thousand and impairment of DCC intangible assets in the amount of RUB 28 805 thousand.

Professional services comprise consulting, audit, insurance, legal services and other.

(in thousands of Russian rubles, unless otherwise indicated)

12. Administrative and Other Operating Expenses (continued)

The Group has made several changes in presentation of the administrative expenses for the year ended December 31, 2013 in order to improve the understanding of the Group's operations:

	As previously reported	Reclassification to transport expenses	Reclassification of communication channels and services	Reclassification of VAT on information services and rent	Presentation of membership fees and conference organisation as advertising costs	Reclassification of representation and other administrative expenses to other expenses	Other reclassifications	As presented in this Report
Professional services	899 449	-	(137 404)	(117 603)	(59 351)	-	(14 404)	570 687
Taxes, other than income tax	505 201	-	-	117 603	-	-	-	622 804
Equipment and intangible assets maintenance	385 996	-	-	-	-	-	(1 449)	384 547
Rent and office maintenance	381 703	-	-	-	-	-	27 284	408 987
Advertising and marketing costs	257 027	-	-	-	59 351	(39 180)	(12 078)	265 120
Communication services	-	-	137 404	-	-	-	-	137 404
Transport expenses	-	23 795	-	-	-	-	-	23 795
Business trip expenses	73 456	(17 645)	-	-	-	-	-	55 811
Other	69 994	(6 150)	-	-	-	39 180	647	103 671

(in thousands of Russian rubles, unless otherwise indicated)

13. Personnel Expenses

	Year ended December 31, 2014	Year ended December 31, 2013
Short-term benefits except for share-based payments	4 452 393	3 955 335
Payroll related taxes	708 544	583 917
Share-based payment expense	233 827	287 752
Total personnel expenses	**5 394 764**	**4 827 004**

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.

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

	Number	WAEP
Outstanding at 1 January 2013	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**
Granted	500 000	60,64
Exercised	(4 791 769)	48,12
Forfeited	(133 334)	46,90
Expired	(6 041 264)	48,12
Outstanding at 31 December 2014	**32 857 357**	**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 2014 at the date of exercise was RUB 63,40 (in the year ended December 31, 2013: RUB 57,24).

The weighted average remaining contractual life for the share options outstanding as at December 31, 2014 was 0,51 years (December 31, 2013: 0,97 years). The weighted average fair value of options granted during the year ended December 31, 2014 was RUB 19,98 (December 31, 2013: RUB 17,04) per 1 option. Exercise prices for options outstanding as at December 31, 2014 were RUB 46,9 – RUB 60,64 (December 31, 2013: RUB 46,9 – RUB 55).

The following table lists the inputs to the models used:

Assumption	Value
Expected volatility	32,2%
Risk-free interest rate	14,7%
Weighted average share price, RUB	61,37
Dividend yield	5,1%

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

(in thousands of Russian rubles, unless otherwise indicated)

14. 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.

Temporary differences comprise:

	Consolidated statement of financial position		**Consolidated statement of profit or loss**	
	December 31, 2014	**December 31, 2013**	**Year ended December 31, 2014**	**Year ended December 31, 2013**
Tax effect from deductible temporary differences				
Financial assets at fair value though profit or loss	31 148	9 507	21 641	(20 243)
Investments in associates and investments available-for-sale	1 743	17 227	(247 941)	(41 456)
Property and equipment and intangible assets	16 383	13 731	2 652	168
Other assets	9 032	8 785	(2 766)	5 795
Tax loss carried forward	119 758	46 991	72 767	(725)
Other liabilities	361 005	207 748	152 124	(4 923)
Total tax effect from deductible temporary differences	**539 069**	**303 989**	**(1 523)**	**(61 384)**
Tax effect from taxable temporary differences				
Cash and cash equivalents	(16 802)	(276)	(16 526)	(26)
Financial assets at fair value though profit or loss	(1 386)	(7 507)	6 121	(217)
Central counterparty financial assets	(3 709)	(152)	(3 557)	3 024
Assets held for sale	-	(44 807)	44 807	(44 807)
Investments in associates and investments available-for-sale	(611 337)	(7 544)	(603 793)	39 040
Investments held-to-maturity	-	-	-	10
Property and equipment and intangible assets	(3 741 184)	(3 878 865)	158 294	170 272
Other assets	(6 814)	(719)	(6 095)	602
Other liabilities	(841)	(1 587)	746	1 605
Total tax effect from taxable temporary differences	**(4 382 073)**	**(3 941 457)**	**(420 003)**	**169 503**
Deferred tax (expense) / income			**(421 526)**	**108 119**
Deferred income tax assets	**172 596**	**186 564**		
Deferred income tax liabilities	**(4 015 600)**	**(3 824 032)**		

(in thousands of Russian rubles, unless otherwise indicated)

14. Income tax (continued)

Reconciliation of income tax expense and accounting profit for the year ended December 31, 2014 and 2013, are explained below:

	Year ended December 31, 2014	Year ended December 31, 2013
Profit before income tax	**20 028 141**	**14 623 899**
Tax at the statutory tax rate (20%)	4 005 628	2 924 780
Non-deductible expenses for tax purposes	176 340	249 935
Tax effect of income taxed at rates different from the prime rate	(145 736)	(133 836)
Non-taxable gain on acquisition of subsidiary	(10 734)	-
Deferred tax from a previously unrecognised temporary difference of a prior period	(5 925)	1 816
Adjustments in respect of current income tax of previous years	15 403	(22 051)
Previously unrecognized deferred tax related to subsidiary transferred to disposal group	-	21 561
Income tax expense	**4 034 976**	**3 042 205**
Current income tax expense	3 613 450	3 150 324
Deferred taxation movement due to origination and reversal of temporary differences	494 293	(108 844)
Deferred taxation movement due to tax losses carried forward	(72 767)	725
Income tax expense	**4 034 976**	**3 042 205**

	Year ended December 31, 2014	Year ended December 31, 2013
Beginning of the year – deferred tax assets	**186 564**	**103 178**
Beginning of the year – deferred tax liabilities	**(3 824 032)**	**(3 884 784)**
Change in deferred income tax balances recognized in profit or loss	(421 526)	108 119
Changes in deferred income tax balances recognized in other comprehensive income	232 457	29 323
Deferred income tax liabilities arising from business combinations (Note 6)	(19 480)	-
Effect of movements in exchange rates	3 013	278
Deferred income tax transferred to assets of disposal group held for sale	-	(3 069)
Deferred income tax recognized directly in equity	-	9 487
End of the year - deferred tax assets	**172 596**	**186 564**
End of the year - deferred tax liabilities	**(4 015 600)**	**(3 824 032)**

15. Cash and Cash Equivalents

	December 31, 2014	December 31, 2013
Correspondent accounts and overnight deposits with banks	709 479 571	239 107 706
- Russian Federation	137 318 085	56 377 719
- Organization for Economic Cooperation and Development countries	571 850 610	182 703 813
- other countries	310 876	26 174
Balances with the CBR	454 292 284	15 930 165
Cash on hand	11 280	3 739
Total cash and cash equivalents	**1 163 783 135**	**255 041 610**
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	**1 163 783 135**	**257 060 487**

(in thousands of Russian rubles, unless otherwise indicated)

15. Cash and Cash Equivalents (continued)

As at December 31, 2014, the Group has balances with thirteen counterparties each of which is greater than 10% of equity (December 31, 2013: eight counterparties). The total aggregate amount of these balances is 1 096 605 986 RUB thousand or 94% of total cash and cash equivalents as at December 31, 2014 (December 31, 2013: RUB 246 742 735 thousand or 97% of total cash and cash equivalents).

Guarantee and risk-covering funds (Note 25) 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 do not include cash and cash equivalents attributable to Assets of disposal group held for sale (December 31, 2013: RUB 2 018 877 thousand).

16. Financial Assets at Fair Value Through Profit or Loss

	December 31, 2014	December 31, 2013
Bonds issued by Russian Federation	11 383 661	16 131 684
Shares issued by Russian companies	58 330	62 999
Derivative financial instruments at fair value through profit or loss	-	5 042
Total financial assets at fair value through profit or loss	**11 441 991**	**16 199 725**

17. Due from Financial Institutions

	December 31, 2014	December 31, 2013
Interbank loans and term deposits	37 811 023	27 050 050
Mandatory cash balances with the CBR (restricted)	1 976 071	1 557 523
Short-term reverse repo receivable from financial institutions	-	319 283
Correspondent accounts in precious metals	26 084	29 041
Receivables on broker and clearing operations	14 864	3 398
Total due from financial institutions	**39 828 042**	**28 959 295**

As at December 31, 2014, there were no short-term REPO receivables. As at December 31, 2013, the fair value of bonds pledged under short-term reverse repo was RUB 348 223 thousand.

18. Central Counterparty Financial Assets and Liabilities

	December 31, 2014	December 31, 2013
Repo transactions	104 401 146	44 706 755
Currency transactions	35 208 628	2 301 781
Total central counterparty financial assets and liabilities	**139 609 774**	**47 008 536**

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 122 730 390 thousand (December 31, 2013: RUB 50 210 672 thousand).

As at December 31, 2014 and 2013, 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 35.

(in thousands of Russian rubles, unless otherwise indicated)

19. Investments Available-for-Sale

	December 31, 2014	December 31, 2013
Bonds issued by Russian Federation	34 444 650	29 660 287
Bonds issued by Russian banks	20 087 467	12 099 104
Bonds issued by Russian companies	18 678 427	22 512 072
Bonds issued by foreign companies	7 659 963	9 779 971
Bonds issued by Russian Federation subjects and Municipal bonds	45 501	113 494
Shares issued by foreign companies	20 630	46 019
Shares issued by Russian companies	13 677	41 105
Total investments available-for-sale	**80 950 315**	**74 252 052**

20. Investments in Associates

As at December 31, 2014 investments in associates are presented as follows:

	December 31, 2014				
	Ownership interest	Principal place of business	Country of incorporation	Nature of activities	Carrying value
Open Joint-Stock Company "Ukrainian Exchange" (UEX)	43,08%	Ukraine	Ukraine	Stock exchange operations	46 132
Total investments in associates					**46 132**

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 January 2014 the Group purchased 22,22% stake of NAMEX and acquired control (refer to Note 6). In July 2014 the Group acquired additional 3,17% stake of NAMEX.

(in thousands of Russian rubles, unless otherwise indicated)

20. Investments in associates (continued)

As at December 31, 2014, and for the year ended, assets, liabilities, revenue and net profit of the associates are presented as follows:

	December 31, 2014		Year ended December 31, 2014	
	Assets	**Liabilities**	**Revenue**	**Net profit**
UEX	147 585	38 424	63 253	17 075

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)

(in thousands of Russian rubles, unless otherwise indicated)

21. Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Total
Cost				
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**
Additions	-	161	253 491	253 652
Acquisition through business combination (Note 6)	-	-	6	6
Disposals	-	-	(201 199)	(201 199)
Effect of movements in exchange rates	5 950	35 298	6 291	47 539
December 31, 2014	**227 784**	**6 018 827**	**3 418 880**	**9 665 491**
Accumulated depreciation				
December 31, 2012	**-**	**871 952**	**1 987 477**	**2 859 429**
Charge for the year	-	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**
Charge for the year	-	121 393	371 776	493 169
Disposals	-	-	(188 795)	(188 795)
Effect of movements in exchange rates	-	3 668	3 979	7 647
December 31, 2014	**-**	**1 118 388**	**2 496 761**	**3 615 149**
Net book value				
December 31, 2013	**221 834**	**4 990 041**	**1 050 490**	**6 262 365**
December 31, 2014	**227 784**	**4 900 439**	**922 119**	**6 050 342**

As at December 31, 2014, historical cost of fully depreciated property and equipment amounts to RUB 1 684 769 thousand (December 31, 2013: RUB 1 337 452 thousand).

(in thousands of Russian rubles, unless otherwise indicated)

22. Intangible Assets

	Software and licenses	Client base	Total
Cost			
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**
Acquisition through business combination (Note 6)	-	103 063	103 063
Additions	530 428	-	530 428
Disposals	(107 501)	-	(107 501)
Effect of movements in exchange rates	(13 938)	-	(13 938)
December 31, 2014	**2 335 111**	**19 606 657**	**21 941 768**
Accumulated depreciation and impairment			
December 31, 2012	**511 348**	**1 192 401**	**1 703 749**
Charge for the year	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**
Charge for the year	310 582	784 267	1 094 849
Impairment (Note 12)	128 511	-	128 511
Disposals	(88 117)	-	(88 117)
Effect of movements in exchange rates	9 116	-	9 116
December 31, 2014	**1 034 673**	**2 756 812**	**3 791 485**
Net book value			
December 31, 2013	**1 251 541**	**17 531 049**	**18 782 590**
December 31, 2014	**1 300 438**	**16 849 845**	**18 150 283**

(in thousands of Russian rubles, unless otherwise indicated)

23. Goodwill

	Year ended December 31, 2014	Year ended December 31, 2013
As at January 1	**16 071 458**	**16 066 094**
Effect of movements in exchange rates	(18 774)	5 364
Impairment (Note 12)	(81 264)	-
As at December 31	**15 971 420**	**16 071 458**

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, 2014 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 131 522 566 thousand exceeds the net carrying amount of its assets and liabilities.

24. Other Assets

	December 31, 2014	December 31, 2013
Other financial assets:		
Receivables on services rendered and other operations	629 465	420 075
Less allowance for impairment	(37 743)	(29 045)
Total other financial assets	**591 722**	**391 030**
Other non-financial assets:		
Non-current assets prepaid	369 847	21 315
Prepaid expenses	231 365	161 316
Precious metals	203 866	28 711
Taxes receivable other than income tax	57 402	56 392
Other	7 173	14 299
Total other assets	**1 461 375**	**673 063**

25. Balances of Market Participants

	December 31, 2014	December 31, 2013
Accounts of clearing participants	1 165 525 375	272 695 597
Other current and settlement accounts	63 003 423	45 805 803
Risk-covering funds	3 240 356	3 691 409
Accounts in precious metals	229 950	57 752
Total balances of market participants	**1 231 999 104**	**322 250 561**

(in thousands of Russian rubles, unless otherwise indicated)

25. Balances of Market Participants (continued)

Accounts of clearing participants include margins deposited by clearing participants to cover risks arising from open positions and to guarantee payment of commissions. The purpose of margins 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 margins 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 15, 17).

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 15, 17).

26. Other Liabilities

	December 31, 2014	December 31, 2013
Other financial liabilities		
Payables to employees	1 678 394	1 194 828
Trade payables	683 606	412 380
Dividends payable	2	-
Total other financial liabilities	**2 362 002**	**1 607 208**
Other non-financial liabilities		
Advances received	258 985	202 582
Taxes payable, other than income tax	148 165	114 857
Provision for onerous contracts (Note 12)	173 203	-
Other	907	75
Total other liabilities	**2 943 262**	**1 924 722**

(in thousands of Russian rubles, unless otherwise indicated)

27. 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, 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 (Note 13)	-	-	1 781 053
December 31, 2013	**2 578 200 000**	**2 378 489 153**	**(156 207 433)**
Cancellation of treasury shares	-	(99 852 660)	99 852 660
Exercised options (Note 13)	-	-	4 791 769
December 31, 2014	**2 578 200 000**	**2 278 636 493**	**(51 563 004)**

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

During the first quarter of 2014 the Group cancelled 99 852 660 treasury shares.

In 2014 the Group distributed to employees 4 791 769 treasury shares under exercised share options (2013: 1 781 053 treasury shares) (Note 13).

28. Retained Earnings

During the year ended December 31, 2014, the Group paid dividends for the year ended December 31, 2013, to the owners of the parent of RUB 5 310 139 thousand (December 31, 2013: RUB 2 726 362 thousand). The amount of dividends per share for the year ended December 31, 2014, is RUB 2,39 per ordinary share (December 31, 2013: 1,23 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)

29. Earnings per Share

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

	Year ended December 31, 2014	Year ended December 31, 2013
Net profit attributable to ordinary equity holders of the parent	**16 041 416**	**11 586 770**
Weighted average number of shares	**2 225 687 215**	**2 213 386 812**
Effect of dilutive share options	8 048 739	7 012 702
Weighted average number of shares adjusted for the effect of dilution	**2 233 735 954**	**2 220 399 514**
Basic earnings per share, RUB	7,21	5,23
Diluted earnings per share, RUB	7,18	5,22

30. 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, 2014	December 31, 2013
Less than 1 year	284 618	195 936
More than 1 year and no more than 5 years	41 963	640 412
Over 5 years	1 152	206 182
Total operating lease commitments	**327 733**	**1 042 530**

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.

In 2014, the Russian economy was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries. In December 2014, the Rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%. Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. Moody's Investors Service and Fitch Ratings still have Russia as investment grade. The Central Bank's key interest rate decreased in February 2015 from 17,0% p.a. to 15,0%. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, 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)

30. Commitments and Contingencies (continued)

Taxation – Some provisions of the Russian tax, currency and customs legislation as at present in force are defined not clearly enough, which frequently leads to different interpretations (that can be applied to the past legal matters), selective and inconsistent application and also in some cases to changes that are hard to predict.

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 when the decision to audit was taken. 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.

31. Transactions with Related Parties

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

(a) 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, 2014	**Year ended December 31, 2013**
Short-term employee benefits	381 272	241 701
Share-based payment expense	81 411	203 479
Total remuneration of key management personnel	**462 683**	**445 180**

(b) Transactions with government-related entities

The Central Bank of Russia sold an 11,7% stake in Moscow Exchange to the market on 2 July 2014. The sale is in line with the Central Bank's obligation under the Federal Law # 251-FZ dated July 23, 2013 to completely exit the shareholder capital of Moscow Exchange by 1 January 2016. As the result of the sale, the entities controlled by the Russian Federation together hold less than 50% of voting shares of Moscow Exchange. Accordingly, as at December 31, 2014 the Russian Federation exercised significant influence 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)

31. 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, 2014	December 31, 2013
Investments in associates	46 132	93 149
Other assets	766	2 662
Balances of market participants	-	9 539
Loans payable	-	50 790
Other liabilities	253	449

Included in the Consolidated Statement of Profit or Loss are the following amounts that arose due to transactions with associates:

	Year ended December 31, 2014	Year ended December 31, 2013
Share of profits of associates	7 356	74 605
Fee and commission income and other operating income	1 844	40 470
Foreign currency difference	132	(579)
Administrative and other operating expenses	(2 389)	(31 141)
Interest expense	-	(2 636)

32. Fair Value Measurements

The Group performs a fair value assessment of its financial assets and liabilities, as required by IFRS 7 Financial Instruments: Disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

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)

32. Fair Value Measurements (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, 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value though profit or loss	11 383 661	-	58 330	**11 441 991**
Central counterparty financial assets and liabilities (currency transactions)	35 208 628	-	-	**35 208 628**
Investments available-for-sale	76 025 196	4 890 812	34 307	**80 950 315**

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 available-for-sale	71 047 470	3 117 458	87 124	**74 252 052**

(in thousands of Russian rubles, unless otherwise indicated)

32. Fair Value Measurements (continued)

The following table shows a reconciliation for year ended December 31, 2014 and December 31, 2013, for fair value measurements in Level 3 of the fair value hierarchy:

	FVTPL	AFS
Balance at December 31, 2012	**66 960**	**167 913**
Loss recognized in net loss on financial assets at fair value through profit or loss	(3 961)	-
Level 3 securities sold	-	(38 697)
Loss recognized in net loss on financial assets available-for-sale	-	(42 264)
Foreign exchange gain	-	172
Balance at December 31, 2013	**62 999**	**87 124**
Loss recognized in net loss on financial assets at fair value through profit or loss	(4 669)	-
Loss recognized in net loss on financial assets available-for-sale	-	(2 001)
Level 3 securities purchased	-	25 876
Level 3 securities sold	-	(78 599)
Foreign exchange gain	-	1 907
Balance at December 31, 2014	**58 330**	**34 307**

Management of the Group considers that the fair value of financial assets and liabilities approximates their carrying value.

33. Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net 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)

33. 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 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 and NCC 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).

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

	Own funds		**Own funds requirements**		**Capital adequacy ratio**	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Moscow Exchange	65 163 411	37 534 813	100 000	150 000	-	-
NCC	38 541 880	28 755 467	300 000	180 000	13,47	21,69
NSD	9 406 903	7 308 475	4 000 000	4 000 000	27,38	30,32
NAMEX	138 940	128 218	100 000	50 000	-	-
MICEX SE	1 770 994	1 221 879	100 000	150 000	-	-
DCC	1 322 777	1 262 180	15 000	250 000	-	-
SC RTS	-	1 131 005	-	-	-	87,86

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

34. Risk Management Policies

Risk management is a material element of the Group's activities and is applied to the following risks inherent to the Group's activity: credit, liquidity, operational risks and market risk, the latter being subdivided into currency, interest rate 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.

34. 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, 2014 does not include equity instruments.

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Liquidity risk (continued)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2014 Total
FINANCIAL ASSETS						
Cash and cash equivalents	1 163 783 135	-	-	-	-	**1 163 783 135**
Financial assets at fair value though profit or loss	11 383 661	-	-	-	58 330	**11 441 991**
Due from financial institutions	31 193 497	8 205 364	403 097	-	-	**39 801 958**
Central counterparty financial assets	139 609 774	-	-	-	-	**139 609 774**
Investments available-for-sale	77 278 676	1 481 361	2 155 971	-	34 307	**80 950 315**
Other financial assets	566 480	21 634	3 608	-	-	**591 722**
Total financial assets	**1 423 815 223**	**9 708 359**	**2 562 676**	**-**	**92 637**	**1 436 178 895**
FINANCIAL LIABILITIES						
Balances of market participants	1 231 769 154	-	-	-	-	**1 231 769 154**
Central counterparty financial liabilities	139 609 774	-	-	-	-	**139 609 774**
Distributions payable to holders of securities	6 353 006	-	-	-	-	**6 353 006**
Other financial liabilities	747 872	1 334 948	279 182	-	-	**2 362 002**
Total financial liabilities	**1 378 479 806**	**1 334 948**	**279 182**	**-**	**-**	**1 380 093 936**
Liquidity gap	**45 335 417**	**8 373 411**	**2 283 494**	**-**	**92 637**	
Cumulative liquidity gap	**45 335 417**	**53 708 828**	**55 992 322**	**55 992 322**	**56 084 959**	

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Liquidity risk (continued)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 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 available-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)

34. Risk Management Policies (continued)

Liquidity risk (continued)

Undiscounted cash flows on financial liabilities are approximately equal to cash flows presented in the analysis of liquidity risk above.

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, 2014 and December 31, 2013, and a reasonably possible changes of 570 bp (December 31, 2013: 100 bp) symmetrical fall or rise in all yield curves is as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Net profit	**Equity**	**Net profit**	**Equity**
570 bp parallel rise (December 31, 2013: 100 bp)	(287 010)	(2 501 382)	(179 077)	(755 345)
570 bp parallel fall (December 31, 2013: 100 bp)	302 279	2 391 036	182 361	767 729

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)

34. 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 25).

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 25) 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, 2014 included into other assets are overdue receivables of RUB 13 489 thousand (December 31, 2013: RUB 27 421 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, 2014 and 2013, 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, 2014 :

	AA	A	BBB	less BBB-	Not rated	December 31, 2014 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	166 858 504	300 067 370	574 521 580	122 312 923	11 478	**1 163 771 855**
Financial assets at fair value though profit or loss	-	-	11 383 661	-	-	**11 383 661**
Due from financial institutions	415 618	-	21 559 107	17 649 305	177 928	**39 801 958**
Central counterparty financial assets	-	-	27 314 385	42 691 101	69 604 288	**139 609 774**
Investments available-for-sale	-	504 866	60 556 658	19 854 484	-	**80 916 008**
Other financial assets	10 847	756	188 649	51 078	340 392	**591 722**

(in thousands of Russian rubles, unless otherwise indicated)

34. 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, 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 available-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**

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, 2014, Total
FINANCIAL ASSETS					
Cash and cash equivalents	172 077 336	650 659 700	338 296 260	2 749 839	**1 163 783 135**
Financial assets at fair value though profit or loss	11 441 991	-	-	-	**11 441 991**
Due from financial institutions	39 127 956	389 488	-	284 514	**39 801 958**
Central counterparty financial assets	139 609 774	-	-	-	**139 609 774**
Investments available-for-sale	61 587 322	19 356 099	1 291	5 603	**80 950 315**
Other financial assets	563 340	23 462	-	4 920	**591 722**
Total financial assets	**424 407 719**	**670 428 749**	**338 297 551**	**3 044 876**	**1 436 178 895**
FINANCIAL LIABILITIES					
Balances of market participants	222 405 081	668 939 001	337 689 014	2 736 058	**1 231 769 154**
Central counterparty financial liabilities	139 609 774	-	-	-	**139 609 774**
Distributions payable to holders of securities	5 680 932	672 073	-	1	**6 353 006**
Other financial liabilities	1 921 817	112 088	288 970	39 127	**2 362 002**
Total financial liabilities	**369 617 604**	**669 723 162**	**337 977 984**	**2 775 186**	**1 380 093 936**
Open position	**54 790 115**	**705 587**	**319 567**	**269 690**	

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Currency risk (continued)

	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 available-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**	

The following exchange rates are applied during the period:

	December 31, 2014		December 31, 2013	
	USD	**EUR**	**USD**	**EUR**
Minimum	32,6587	45,0559	29,9251	39,6385
Maximum	67,7851	84,5890	33,4656	45,3688
Average	38,6025	50,9928	31,9063	42,4001
Year-end	56,2584	68,3427	32,7292	44,9699

(in thousands of Russian rubles, unless otherwise indicated)

34. Risk Management Policies (continued)

Currency risk (continued)

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, 2014 and December 31, 2013, and a reasonably possible changes of Russian Rouble to USD and Euro exchange rates is as follows:

	December 31, 2014		December 31, 2013	
	USD	EUR	USD	EUR
	26%	26%	10%	10%
26% ruble appreciation (December 31, 2013: 10%)	(146 762)	(66 470)	(15 829)	(11 111)
26% ruble depreciation (December 31, 2013: 10%)	146 762	66 470	15 829	11 111

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 15);
- Other deposits with top OECD banks, which are reported in balances due from financial institutions of as at December 31, 2014: RUB 415 618 thousand (December 31, 2013: RUB 5 001 218 thousand) (Note 17);
- Balances placed by CJSC PFTS Stock Exchange with one of the top Ukrainian banks that are reported in cash and cash equivalents of RUB 3 875 thousand as at December 31, 2014 (December 31, 2013: RUB 1 272 thousand) and in due from financial institutions of RUB 284 514 thousand as at December 31, 2014 (December 31, 2013: 311 802);
- Short-term reverse repo receivable from a financial institution registered in Cyprus (Note 17);
- Balances placed by ETS with one of the top Kazakh banks that are reported in cash and cash equivalents of RUB 24 049 thousand as at December 31, 2014 (December 31, 2013: RUB 10 464 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.

(in thousands of Russian rubles, unless otherwise indicated)

35. 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 34. Clearing rules give the Group right to use these amounts under certain conditions (e.g. in case of default).

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, 2014			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)	104 401 146	-	104 401 146	(104 401 146)	-	-
Central counterparty financial assets (currency transactions)	55 522 604	(20 313 976)	35 208 628	-	(35 208 628)	-
Central counterparty financial liabilities (repo transactions)	-	(104 401 146)	(104 401 146)	104 401 146	-	-
Central counterparty financial liabilities (currency transactions)	6 103 596	(41 312 224)	(35 208 628)	-	-	(35 208 628)

	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)

36. Events after the reporting date

As at March 5, 2015 the Supervisory Board of Moscow Exchange recommended to the shareholders to approve 2014 dividends of RUB 3.87 per ordinary share. The total amount of recommended dividends is RUB 8 818 323 thousand.

(in thousands of Russian rubles, unless otherwise indicated)

Supplementary information – Fiduciary assets (unaudited)

	Fair value for shares / Par value for bonds	
	December 31, 2014 (RUB mln)	**December 31, 2013 (RUB mln)**
Corporate shares	11 126 646	12 136 819
Corporate bonds	5 911 379	4 660 383
Bonds issued by Russian Federation	4 693 164	3 734 835
Eurobonds	2 480 483	564 874
Bonds of RF subjects and municipal bodies	450 702	461 741
Units of mutual investment funds	280 993	205 004
Total	**24 943 367**	**21 763 656**

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, 2013: USD 65 million).