Audit report on the consolidated financial statements

National Settlement Depository

and its subsidiary

for the year ended 31 December 2014

March 2015

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To Shareholders of National Settlement Depository

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Settlement Depository (hereafter – NSD) and its subsidiary Closed Joint Stock Company "DCC", which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2014, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the annual 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

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NSD and its subsidiary as at 31 December 2014, and their financial performance and cash flows for the year 2014 in accordance with International Financial Reporting Standards.

Report on the results of the work in accordance with the requirements of Article 42 of Federal Law No. 395-1 "Concerning Banks and Banking Activity" of 2 December 1990

The management of NSD is responsible for the NSD's compliance with the obligatory ratios established by the Bank of Russia and for the conformity of the NSD's internal control and organization of the risk management systems with the requirements set forth by the Bank of Russia in respect of such systems.

In accordance with the requirements of Article 42 of Federal Law No. 395-1 "Concerning Banks and Banking Activity" of 2 December 1990 (hereinafter, the "Federal Law"), during the audit of the NSD's annual financial statements for the year ended 31 December 2014, we determined:

1) Whether the NSD complies as at 1 January 2015 with the obligatory ratios established by the Bank of Russia;
2) Whether the NSD's internal control and organization of the risk management systems conform to the requirements set forth by the Bank of Russia for such systems in respect of the following:
    - subordination of risk management departments;
    - existence of methodologies, approved by the NSD's respective authorized bodies, for detecting and managing risks that are significant to NSD and for performing stress-testing; existence of a reporting system at NSD pertaining to its significant risks and capital;
    - consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to NSD;
    - Oversight performed by the Supervisory Board and executive management of the NSD in respect of the NSD's compliance with risk limits and capital adequacy requirements set forth in the NSD's internal documents, and effectiveness and consistency of the application of the NSD's risk management procedures.

This work included the procedures selected on the basis of our judgment, such as inquiries, analysis, review of documents, comparison of the requirements, procedures and methodologies approved by the NSD with the requirements set forth by the Bank of Russia, and recalculation, comparison and reconciliation of numerical values and other information.

The results of our work are provided below.

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Compliance by NSD with the obligatory ratios established by the Bank of Russia

We found that the values of obligatory ratios of NSD as of 1 January 2015 were within the limits established by the Bank of Russia.

We have not performed any procedures in respect of the NSD's accounting data, except for the procedures we considered necessary for expressing our opinion on the fair presentation of the NSD's annual financial statements.

Conformity of the NSD's internal control and organization of the risk management systems with the requirements set forth by the Bank of Russia in respect of such systems

- We found that, in accordance with the legal acts and recommendations issued by the Bank of Russia, as at 31 December 2014, the NSD's internal audit division was subordinated and accountable to the Supervisory Board, and the NSD's risk management departments were not subordinated or accountable to the departments that take the relevant risks.
- We found that the NSD's internal documents effective as at 31 December 2014 that establish the methodologies for detecting and managing risks that are significant to the NSD (currency risk, interest rate risk, price risk, liquidity risk, credit risk, strategic risk, operational risk, legal risk, reputation risk) and stress-testing have been approved by the NSD's authorized bodies in accordance with the legal acts and recommendations issued by the Bank of Russia. We also found that, as at 31 December 2014, NSD has a reporting system pertaining risks that are significant to NSD (currency risk, interest rate risk, price risk, liquidity risk, credit risk, strategic risk, operational risk, legal risk, reputation risk) and pertaining to its capital.
- We found that the periodicity and consistency of reports prepared by the NSD's risk management departments and internal audit division during the year ended 31 December 2014 with regard to the management of the NSD's risks (currency risk, interest rate risk, price risk, liquidity risk, credit risk, strategic risk, operational risk, legal risk, reputation risk) complied with the NSD's internal documents and that those reports included observations made by NSD's risk management departments and internal audit division in respect of the effectiveness of the NSD's relevant risk management methodologies as well as recommendations on their improvement.
- We found that, as at 31 December 2014, the authority of the Supervisory Board and executive management bodies of the NSD included control over the NSD's compliance with internally established risk limits and capital adequacy requirements. For the purposes of control over the effectiveness and consistency of the risk management procedures applied by NSD during the year ended 31 December 2014, the Supervisory Board and executive management bodies of NSD regularly reviewed the reports prepared by NSD's risk management departments and internal audit division and measures suggested to address the findings.

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The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purposes of determining the conformity of certain elements of the NSD's internal control and organization of risk management systems, as listed in the Federal Law and described above, with the requirements set forth by the Bank of Russia.

E.V. ZAICHIKOVA
Partner
Ernst & Young Vneshaudit CJSC

20 March 2015

Details of the audited entity

Name: NSD
Record made in the State Register of Legal Entities 30 August 2002, State Registration Number 1027739132563 series 77 No. 007811464.
Address: Russia 105066, Moscow, Spartakovskaya str., 12.

Details of the auditor

Name: Ernst & Young Vneshaudit CJSC
Record made in the State Register of Legal Entities on 16 September 2002; Main State Registration Number 1027739199333.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young Vneshaudit CJSC is a member of the Self-regulated Organization of Auditors Non-profit Partnership "Russian Audit Chamber" ("SRO NP APR"). Ernst & Young Vneshaudit CJSC is included in the control copy of the register of auditors and audit organizations, main registration number 10301017410.

NATIONAL SETTLEMENT DEPOSITORY

Consolidated Statement of Comprehensive Income for the year ended 31 December 2014
(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Fee and commission income	6	3 323 118	2 459 945
Interest income	7	1 422 391	1 926 811
Net gains from operations with derivatives at fair value through profit or loss	8	1 401 394	477 425
Net gains from operations with securities at fair value through profit or loss	9	431 325	1 697 473
Other income	10	38 973	36 543
Operating income		**6 617 201**	**6 598 197**
Personnel expenses	11	(1 440 297)	(1 264 365)
Administrative and other operating expenses	12	(724 951)	(865 304)
Commission expenses		(336 461)	(207 632)
Operating profit		**4 115 492**	**4 260 896**
Share of profits of associates		–	26 233
Profit before tax		**4 115 492**	**4 287 129**
Income tax expense	13	(808 518)	(800 284)
Net profit		**3 306 974**	**3 486 845**
Attributable to:			
Equity holders of the Parent		3 306 973	3 486 844
Non-controlling interest		1	1
Total comprehensive income		**3 306 974**	**3 486 845**

Chairman of the Executive Board
E.V. Astanin

20 March 2015
Moscow

Chief Accountant
I.E. Veremeenko

20 March 2015
Moscow

NATIONAL SETTLEMENT DEPOSITORY

Consolidated Statement of Financial Position at 31 December 2014
(in thousands of Russian Rubles)

	Notes	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	14	145 352 954	58 142 050
Financial assets at fair value through profit or loss	15	6 251 671	23 369 812
Due from banks	16	1 713 355	1 222 874
Property and equipment	17	2 824 763	2 926 021
Intangible assets	17	521 322	352 784
Deferred tax assets	13	125 110	81 424
Other assets	18	458 358	343 931
Total assets		**157 247 533**	**86 438 896**
LIABILITIES			
Balances of market participants	19	138 862 456	73 095 922
Distributions payable to holders of securities	20	6 353 006	3 670 761
Current tax payables		14 873	9 284
Other liabilities	21	739 650	615 035
Total liabilities		**145 969 985**	**77 391 002**
EQUITY			
Share capital	22	1 193 982	1 193 982
Share premium	22	1 957 050	1 957 050
Payments based on the shares of the parent company		33 758	23 808
Retained earnings		8 092 731	5 873 028
Total equity attributable to owners of the Parent		**11 277 521**	**9 047 868**
Non-controlling interest		27	26
Total equity		**11 277 548**	**9 047 894**
Total liabilities and equity		**157 247 533**	**86 438 896**

The notes 1-28 form an integral part of these consolidated financial statements.

NATIONAL SETTLEMENT DEPOSITORY

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

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:			
Profit before tax		4 115 492	4 287 129
Adjustments for:			
Depreciation and amortization of property and equipment and intangible assets	12, 17	220 099	183 330
Net change in fair value of financial assets and liabilities at fair value through profit or loss		158 956	(2 498)
Net change of other accrued income/expense		68 972	14 888
Impairment of intangible assets	12	29 207	–
Payments based on the shares of the parent company	11	22 680	22 354
Net change in interest accruals		(4 863)	19 351
Unrealized (gains)/losses on foreign exchange operations		(5 469)	20
Net loss on disposal of property and equipment and intangible assets	12	184	818
Loss on disposal of investments in associates		–	136 235
Share of profits of associates		–	(26 233)
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Financial assets at fair value through profit or loss		16 959 185	7 499 824
Due from banks		(485 618)	(120 000)
Other assets		(29 409)	70 487
Increase/(decrease) in operating liabilities:			
Balances of market participants		32 068 879	(28 600 165)
Distributions payable to holders of securities		2 608 476	(763 202)
Other liabilities		(7 092)	(62 651)
Cash flows from/(used in) operating activities before taxation		55 719 679	(17 340 313)
Income tax paid		(846 615)	(785 688)
Cash flows from/(used in) operating activities		**54 873 064**	**(18 126 001)**

NATIONAL SETTLEMENT DEPOSITORY

Consolidated Statement of Cash Flows for the year ended 31 December 2014 (continued)
(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:			
Purchase of intangible assets		(301 867)	(220 572)
Purchase of property and equipment		(51 415)	(182 185)
Proceeds from disposal of property and equipment and intangible assets		624	691
Proceeds from disposal of investments in associates		–	451 567
Cash flows (used in)/from investing activities		**(352 658)**	**49 501**
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Dividends paid		(1 100 000)	(3 000 000)
Cash flows used in financing activities		**(1 100 000)**	**(3 000 000)**
Effect of changes in foreign exchange rates on cash and cash equivalents		33 790 498	1 997 520
Net increase/(decrease) in cash and cash equivalents		**87 210 904**	**(19 078 980)**
Cash and cash equivalents, beginning of year	14	**58 142 050**	**77 221 030**
Cash and cash equivalents, end of year	14	**145 352 954**	**58 142 050**

Interest received by the Group for the year ended 31 December 2014 amounted to RUB 1 417 528 thousand (31 December 2013: RUB 1 946 162 thousand).

NATIONAL SETTLEMENT DEPOSITORY

Consolidated Statement of Changes in Equity for the year ended 31 December 2014

(in thousands of Russian Rubles)

	Share capital	Share premium	Payments based on the shares of the parent company	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interest	Total equity
31 December 2012	**1 193 982**	**1 957 050**	**1 454**	**5 386 184**	**8 538 670**	**25**	**8 538 695**
Total comprehensive income for the period	–	–	–	3 486 844	3 486 844	1	3 486 845
Dividends declared	–	–	–	(3 000 000)	(3 000 000)	–	(3 000 000)
Payments based on the shares of the parent company	–	–	22 354	–	22 354	–	22 354
31 December 2013	**1 193 982**	**1 957 050**	**23 808**	**5 873 028**	**9 047 868**	**26**	**9 047 894**
Total comprehensive income for the period	–	–	–	3 306 973	3 306 973	1	3 306 974
Dividends declared	–	–	–	(1 100 000)	(1 100 000)	–	(1 100 000)
Payments based on the shares of the parent company	–	–	9 950	12 730	22 680	–	22 680
31 December 2014	**1 193 982**	**1 957 050**	**33 758**	**8 092 731**	**11 277 521**	**27**	**11 277 548**

The notes 1-28 form an integral part of these consolidated financial statements.

1. Organization

National Settlement Depository (hereinafter –"NSD") is the central depository of the Russian Federation, a part of the Moscow Exchange Group. NSD is Russia's national numbering agency and the substitute numbering agency for the CIS, authorized to assign the international ISIN, CFI, as well as pre-Local Operating Unit of a global system of legal entities identification, authorized to assign legal entities pre-LEI codes.

In 2010, Non-Banking Credit Organization Closed Joint-Stock Company MOSCOW INTERBANK CURRENCY EXCHANGE SETTLEMENT HOUSE (hereinafter – "MICEX SH") was reorganized by merger with Closed Joint-Stock Company National Depository Center (hereinafter – "NDC"). Simultaneously, the name MICEX SH was changed to National Settlement Depository.

NSD's activities are carried out based on the following licenses:

- license No.3294 issued by the Central Bank of the Russian Federation (hereinafter – "CBR") on 26 July 2012 for banking operations;
- license of professional stock market participant No.177-12042-000100 issued by CBR on 19 February 2009 for depository activities;
- license No.077-00004-000010 issued by CBR on 20 December 2012 for clearing activities;
- license LSZ No. 0009523, Registration No. 13169 H, to provide data encryption services, issued by the Centre for Licensing, Certification and Protection of State Secrets of the Federal Security Service (FSB) of Russia.

NSD functions as an operator of systemically and the national important payment system based on the certificate issued by the Bank of Russia on 26 December 2012.

NSD functions as a repository in accordance with Federal Law No. 39-FZ on Securities Market dated 22 April 1996.

NSD registered address is: 12 Spartakovskaya str., Moscow, 105066, the Russian Federation.

NSD is a subsidiary of Open Joint-Stock Company Moscow Exchange MICEX-RTS (hereinafter - "Moscow Exchange"). As at 31 December 2014 and 2013, the share of ownership comprised 99,997%.

Entities controlled by the Russian Federation together hold less than 50% (31 December 2013: more than 50%) of the Moscow Exchange voting shares. Consequently, Russian Federation exercises significant influence (31 December 2013: control) over NSD.

NSD has no affiliates or representative offices within the Russian Federation or abroad.

NSD Group (hereinafter – the "Group") includes Closed Joint-Stock Company "DCC" (hereinafter – "DCC") acquired in 2012 from the Moscow Exchange. As at 31 December 2014 and 2013, the share of ownership comprised 99,998%.

In September 2014 the trade name Closed Joint-Stock Company "Depository Clearing Company" was changes to Closed Joint-Stock Company "DCC".

NSD and its subsidiary are located in the Russian Federation.

DCC provides depository services. DCC holds licenses for depository services.

As at 31 December 2014, the Group had 498 employees (31 December 2013: 506 employees).

2. Basis of preparation

Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with 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 a historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

The Group's companies maintain their accounting records in accordance with Russian Accounting Standards (RAS). These financial statements have been prepared from the statutory-based accounting records and adjusted for the purpose of fair presentation in accordance with IFRS.

Inflation accounting

The Russian economy was considered hyperinflationary until 31 December 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 31 December 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

3. Significant accounting policies

Basis for consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized 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.

Acquisition of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the acquisition method.

The acquisition cost is measured at fair value calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree, and equity securities issued by the Group in exchange for control over the acquiree. Acquisition-related costs are recognized in the income statement as incurred.

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

3. Significant accounting policies (continued)

Basis for consolidation (continued)

Investment 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 recognized at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the net assets of the associate attributable to the Group. The Group's share of its associates' profits or losses is recognized in the Consolidated Statement of Comprehensive Income, and its share of movements in reserves is recognized 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 recognize further losses, unless the Group is obliged to make further payments of, or on behalf of, the associate.

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

Revenue recognition

Fee and commission income

Fee and commission income is recognized when services are provided.

Interest income

Interest income from assets carried at amortized cost 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 payments or cash receipts to the net carrying amount of the financial asset.

Once a financial asset or a group of similar financial assets has been written down (partially written down) as a result of impairment, interest income is thereafter recognized at the interest rate used to discount future cash flows for the purpose of measuring the impairment loss.

Interest income from assets at fair value is recognized in net profit from financial assets at fair value through profit or loss.

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 are not included in cash and cash equivalents.

3. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are recognized in the Group's Consolidated Statement of Financial Position when the Group 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

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

Financial assets at fair value through profit or loss

A financial asset is classified as at FVTPL when it 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 a 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 as effective hedging instrument.

Fair value of financial assets at FVTPL is determined in the manner described in Note 27.

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 amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized in other comprehensive income until the investment is derecognized 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 profit or loss. However, interest calculated using the effective interest method is recognized in profit or loss.

3. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

For financial assets carried at amortized cost, the amount of impairment loss recognized 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 "loans and receivables" 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.

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 the Group has not retained control, the asset is derecognized. Where the Group retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

Classification as debt or equity

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

3. Significant accounting policies (continued)

Financial liabilities (continued)

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 derivatives.

Other financial liabilities

Other financial liabilities, including accounts of market participants, distributions payable to holders of securities and other liabilities are initially measured at fair value, net of transaction costs.

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 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.

Subsequently, all other financial liabilities are recognized at amortized cost. Interest expense is measured using the effective interest method.

Derecognition of financial liabilities

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

Property and equipment

Property and equipment purchased after 1 January 2003 is recognized at initial cost less cumulative amortization and accumulated impairment losses (if any). Property and equipment purchased before 1 January 2003 is recognized at initial amount adjusted for inflation less cumulative amortization and accumulated impairment losses (if any).

Useful lives of property and equipment

Depreciation is accrued to write down the cost of property and equipment less residual value on a straight-line basis over their useful lives:

Buildings and structures	2%
Furniture and equipment	20%
Motor vehicles	20%

Freehold land is not depreciated.

Estimated useful lives, carrying amount and depreciation period are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Depreciation of assets under construction commences from the date the assets become available for service.

3. Significant accounting policies (continued)

Property and equipment (continued)

An item of property and equipment is derecognized 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 recognized in profit or loss.

Intangible assets

Intangible assets are carried at acquisition cost less any accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis throughout the useful life of the intangible assets at the annual rates:

Licenses	20%
Trademarks	25%
Computer software	5-33%

Estimated useful lives and amortization period 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.

Internally developed intangible assets

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalized and an internally generated intangible asset is recognized 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 recognized 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 recognized as an expense in the period in which it is incurred. Subsequent expenditure on intangible assets is capitalized 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 derecognized 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, and are recognized in profit or loss when the asset is derecognized.

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 of impairment. 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.

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows is 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. Impairment losses are recognized in profit or loss.

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 recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Taxation

Income tax expense comprises current and deferred tax.

Current income tax

Current tax expense is calculated based on the statutory taxable income for the year. Taxable profit differs from profit as reported in the statement of comprehensive income by items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. Current income tax liabilities are measured using statutory tax rates introduced before the end of the reporting period.

Deferred income tax

Deferred income taxes are provided for all temporary differences arising between the carrying amounts of assets and liabilities recognized in financial accounting and their tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences provided that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Tax assets and liabilities are not recognized if temporary differences arise from goodwill or from the initial recognition of an asset or liability in a transaction (except for business combinations) and affect neither taxable nor accounting profit.

Operating taxes

In the Russian Federation where the Group performs its activity, there are other requirements to accrue and pay taxes other than income tax applicable to the Group's activity. Such taxes are recognized as part of administrative and other operating expense in the Consolidated Statement of Comprehensive Income.

Payments based on the shares of the parent company

Employees (including senior executives) of the Group receive remuneration in the form of payments based on the shares of the parent company. Employees render services as consideration for shares of the parent company (equity-settled transactions).

The cost of equity-settled transactions is recognized, 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 recognized 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 recognized as at the beginning and end of that period, and is recognized in employee benefits expense (Note 11).

(in thousands of Russian Rubles)

3. Significant accounting policies (continued)

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.

Depository activities

The Group provides depository services to its customers, which include transactions with securities on their depository accounts. Assets accepted and liabilities incurred under the depository 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 depository services is recognized as services are provided.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the Russian ruble exchange rate as at the reporting date. Transactions in currencies other than functional currency are recorded at the exchange rate ruling at the date of the transaction. Gains or losses from such transactions are included into gains arising from foreign currencies recognized in other income.

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

	31 December 2014	**31 December 2013**
RUB / 1 USD	56,2584	32,7292
RUB / 1 EUR	68,3427	44,9699

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 31 December 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:

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.

3. Significant accounting policies (continued)

Adoption of new and revised standards (continued)

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.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and do not have a material affect the Group. They include:

IFRS 13 Fair Value Measurement

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)

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 recognized 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 recognizing 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 judgments and key sources of estimation uncertainty

In the process of applying the Group’s accounting policies, management is required to make judgments, assumptions and estimates about carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant under certain circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the change affects only the respective period, and in future periods if the change affects both current and future periods.

Key sources of estimation uncertainty

Impairment of accounts receivable and other assets

The Group regularly reviews its receivables and other assets to assess for impairment. Group’s receivables and other assets impairment provisions are established to recognize incurred impairment losses in its portfolio of receivables and other assets.

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 31 December 2014, the total amount of accounts receivable less allowance for impairment was RUB 348 440 thousand (31 December 2013: RUB 258 656 thousand).

As at 31 December 2014, the allowance for impairment of other assets is not produced.

(in thousands of Russian Rubles)

5. Changes in presentation

Changes were made to the presentation of the following items in the consolidated statement of Comprehensive Income, compared to consolidated statement of Comprehensive Income 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 commission expenses to Maintenance of property and equipment and intangible assets	Reclassification of commission expenses to communication and telecommunication	Reclassification of commission expenses to Professional services	As presented in this reported
Administrative and other operating expenses,	826 547	28 595	290	9 872	865 304
including:					
Maintenance of property and equipment and intangible assets	105 157	28 595	–	–	133 752
Communication and telecommunication	27 810	–	290	–	28 100
Professional services	55 234	–	–	9 872	65 106
Commission expenses	246 389	(28 595)	(290)	(9 872)	207 632

6. Fee and commission income

	Year ended 31 December 2014	Year ended 31 December 2013
Depository services	3 130 965	2 291 223
Settlement services	123 630	88 280
Sale of technical services	47 856	46 654
Other services	20 667	33 788
Total fee and commission income	**3 323 118**	**2 459 945**

7. Interest income

	Year ended 31 December 2014	Year ended 31 December 2013
Interest on correspondent and current accounts with other banks	1 094 325	976 983
Interest on deposits with the CBR	218 109	857 096
Interest on deposits with other banks	109 957	92 508
Interest on other placements	-	224
Total interest income	**1 422 391**	**1 926 811**

8. Net gains from operations with derivatives at fair value through profit or loss

In 2013, the Group started one-day currency swap deals at the currency exchange market of Moscow Exchange Group for the purpose of liquidity regulation in various currencies and diversification of profitable base.

(in thousands of Russian Rubles)

9. Net gains from operations with securities at fair value through profit or loss

	Year ended 31 December 2014	Year ended 31 December 2013
Interest income	962 943	2 072 967
Net losses from operations with OFZ	(531 618)	(375 494)
Total net gains from operations with securities at fair value through profit or loss	**431 325**	**1 697 473**

10. Other income

	Year ended 31 December 2014	Year ended 31 December 2013
Income from lease	28 620	32 773
Write-off of accounts payables	3 298	2 113
Gain on disposal of property, equipment and intangible assets	3 035	–
Other	4 020	1 657
Total other income	**38 973**	**36 543**

11. Personnel expenses

	Year ended 31 December 2014	Year ended 31 December 2013
Personnel expenses	1 227 686	1 079 595
Payroll related taxes	189 931	162 416
Payments based on the shares of the parent company	22 680	22 354
Total personnel expenses	**1 440 297**	**1 264 365**

Moscow Exchange Group grants to senior management and some employees of the Group options settled by shares of Moscow Exchange. The options give to holders a choice either to purchase the full number of shares at exercise price or to get shares of Moscow Exchange 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 three years. The fair value of the options is measured at the grant date using a binomial model taking into accounts 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 2012	**2 200 001**	**46,90**
Granted	1 000 000	46,90
Outstanding at 31 December 2013	**3 200 001**	**46,90**
Exercised	(188 655)	46,90
Expired	(544 678)	46,90
Outstanding at 31 December 2014	**2 466 668**	**46,90**

The weighted average remaining contractual life for the share options outstanding as at 31 December 2014 was 0,64 years (31 December 2013: 1,23 years). The weighted average fair value of options granted during the 2013 year was RUB 22,50 per 1 option. Exercise prices for options outstanding as at 31 December 2014 were RUB 46,90 (31 December 2013: RUB 46,90).

(in thousands of Russian Rubles)

12. Administrative and other operating expenses

	Year ended 31 December 2014	Year ended 31 December 2013
Maintenance of property and equipment and intangible assets	175 693	133 752
Depreciation of property and equipment	132 633	118 307
Taxes (other than income tax)	90 903	172 015
Amortization of intangible assets	87 466	65 023
Professional services	53 312	65 106
Insurance	37 753	40 640
Impairment of intangible assets (Note 17)	29 207	–
Communication and telecommunication	27 831	28 100
Corporate events	20 542	22 939
Rent expenses	17 855	23 023
Business trip expenses	12 805	9 935
Security	9 450	9 383
Write-off of materials	8 465	8 378
Advertising	7 284	12 716
Charity	6 379	2 759
Stationery	2 190	4 192
Charge of allowances for potential losses	998	3 201
Loss on disposal of property, equipment and intangible assets	184	818
Loss on disposal of investments in associates	–	136 235
Other	4 001	8 782
Total administrative and other operating expenses	**724 951**	**826 547**

During the year ended 31 December 2014 the Group recognised impairment of DCC’s intangible assets in the amount of RUB 29 207 thousand.

Professional services comprise consulting, audit and legal services.

13. Income tax

The Group calculates current income tax based on the tax accounts maintained and prepared in accordance with the tax regulations of the Russian Federation, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain income and expenses.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for tax purposes. Temporary differences as at 31 December 2014 and 2013 relate mostly to different methods of income and expense recognition as well as to temporary differences arising from the difference between the carrying amount of certain assets and their value for tax purposes.

(in thousands of Russian Rubles)

13. Income tax (continued)

Tax effects of temporary differences as at 31 December 2014 and 2013, were as follows:

	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income	
	31 December 2014	**31 December 2013**	**Year ended 31 December 2014**	**Year ended 31 December 2013**
Tax effect of deductible temporary differences:				
Financial assets at fair value through profit or loss	32 601	21 164	11 437	(500)
Property and equipment and intangible assets	7 240	5 264	1 976	317
Other assets	575	509	66	396
Accounts payable	95 840	66 104	29 736	11 827
	136 256	**93 041**	**43 215**	**12 040**
Tax effect of non-deductible temporary differences:				
Property and equipment and intangible assets	(11 146)	(11 617)	471	(6 437)
Investments accounted for using the equity method	–	–	–	23 388
	(11 146)	**(11 617)**	**471**	**16 951**
Deferred tax income			**43 686**	**28 991**
Deferred tax assets	**125 110**	**81 424**		

(in thousands of Russian Rubles)

13. Income tax (continued)

Reconciliation of income tax expense and accounting profit for the years ended 31 December 2014 and 2013 is presented below:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before income tax	**4 115 492**	**4 287 129**
Statutory tax rate	20%	20%
Tax at the statutory tax rate (20%)	823 098	857 426
Tax effect of income taxed at rates different from the statutory tax rate	(47 577)	(103 683)
Tax effect of non-taxable expenses	30 772	29 341
Deferred tax from previously unrecognized temporary differences of a prior period	3 954	10 580
Adjustments in respect of current income tax of previous years	(1 729)	6 620
Income tax expense	**808 518**	**800 284**
Current income tax expense	853 933	822 655
Adjustments in respect of current income tax of previous years	(1 729)	6 620
Deferred taxation movement due to origination and reversal of temporary differences	(43 686)	(28 991)
Income tax expense	**808 518**	**800 284**

Deferred tax assets are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
As at 1 January	**81 424**	**52 433**
Change in deferred income tax balances recognized in profit or loss	43 686	28 991
As at 31 December	**125 110**	**81 424**

(in thousands of Russian Rubles)

14. Cash and cash equivalents

	31 December 2014	31 December 2013
Balances with the CBR	54 782 047	10 482 466
Balances with banks:		
- Russian Federation	14 652 542	10 136 331
- Organization for Economic Cooperation and Development (OECD) countries	75 876 670	37 521 184
- other countries	35 874	13
Cash on hand	5 821	2 056
Total cash and cash equivalents	**145 352 954**	**58 142 050**

As at 31 December 2014, the Group has balances with ten counterparties each of which is greater than 10% of equity (31 December 2013: seven counterparties). The total aggregate amount of these balances is 144 064 010 RUB thousand or 99% of total cash and cash equivalents as at 31 December 2014 (31 December 2013: RUB 57 813 857 thousand or 99% of total cash and cash equivalents).

15. Financial assets at fair value through profit or loss

	31 December 2014	31 December 2013
Bonds issued by the Russian Federation	6 251 671	23 369 812
Total financial assets at fair value through profit or loss	**6 251 671**	**23 369 812**

As at 31 December 2014, financial assets at fair value through profit or loss of RUB 6 251 573 thousand (31 December 2013: RUB 6 130 362 thousand) were placed on designated deposit account "Blocked securities" intended for the purposes of lombard lending from the CBR.

16. Due from banks

	31 December 2014	31 December 2013
Deposits	1 297 737	1 222 874
Other	415 618	–
Total due from banks	**1 713 355**	**1 222 874**

As at 31 December 2014, deposits comprised two deposits with Russian bank (Baa1- credit rating of Moody’s Investors Service) totaling RUB 1 267 573 thousand including accrued interest and one deposits with Russian bank (BBB- credit rating of Fitch Ratings) totaling RUB 30 164 thousand including accrued interest.
As at 31 December 2013, deposits comprised three deposits with Russian bank (Baa2- credit rating of Moody’s Investors Service) totaling RUB 821 886 thousand including accrued interest and one deposits with Russian bank (BBB- credit rating of Fitch Ratings) totaling RUB 400 988 thousand including accrued interest.

Other included blocked correspondent account NSD in Euroclear Bank S.A. / N.V., Brussels foreign securities income owned by the bank-client NSD, got in the sanctions list US / EU.

(in thousands of Russian Rubles)

17. Property and equipment and intangible assets

	Land	Buildings and other real estate	Furniture and equipment	Total property and equipment	Intangible assets	Total
Cost						
31 December 2012	**94 139**	**2 578 485**	**344 349**	**3 016 973**	**401 488**	**3 418 461**
Additions	–	104 166	116 406	220 572	182 185	402 757
Disposals	–	–	(5 453)	(5 453)	(16 721)	(22 174)
31 December 2013	**94 139**	**2 682 651**	**455 302**	**3 232 092**	**566 952**	**3 799 044**
Additions	–	161	32 022	32 183	285 211	317 394
Disposals	–	–	(6 301)	(6 301)	(33 588)	(39 889)
31 December 2014	**94 139**	**2 682 812**	**481 023**	**3 257 974**	**818 575**	**4 076 549**
Accumulated depreciation and impairment						
31 December 2012	**–**	**77 643**	**114 848**	**192 491**	**165 083**	**357 574**
Charge for the period	–	52 279	66 028	118 307	65 023	183 330
Written off in disposal	–	–	(4 727)	(4 727)	(15 938)	(20 665)
31 December 2013	**–**	**129 922**	**176 149**	**306 071**	**214 168**	**520 239**
Charge for the period	–	53 653	78 980	132 633	87 466	220 099
Written off in disposal	–	–	(5 493)	(5 493)	(33 588)	(39 081)
Impairment (Note 12)	–	–	–	–	29 207	29 207
31 December 2014	**–**	**183 575**	**249 636**	**433 211**	**297 253**	**730 464**
Net book value						
31 December 2013	**94 139**	**2 552 729**	**279 153**	**2 926 021**	**352 784**	**3 278 805**
31 December 2014	**94 139**	**2 499 237**	**231 387**	**2 824 763**	**521 322**	**3 346 085**

Intangible assets include computer software, trademarks and licenses.

(in thousands of Russian Rubles)

17. Property and equipment and intangible assets (continued)

As at December 31, 2014, historical cost of fully depreciated property and equipment amounts to RUB 86 964 thousand (December 31, 2013: RUB 61 855 thousand).

As at December 31, 2014, historical cost of fully depreciated intangible assets to RUB 122 971 thousand (December 31, 2013: RUB 147 753 thousand).

18. Other assets

	31 December 2014	31 December 2013
Other financial assets		
Services and other accounts receivable	351 893	262 381
Available-for-sale investments	7 317	7 441
Less allowance for impairment	(3 453)	(3 725)
Total other financial assets	**355 757**	**266 097**
Other non-financial assets:		
Prepaid expenses	88 351	68 569
Tax receivable other than income tax	14 250	9 265
Total other assets	**458 358**	**343 931**

19. Balances of market participants

	31 December 2014	31 December 2013
Balances of credit institutions	127 352 015	63 568 838
Balances of financial companies	11 510 330	9 527 084
Balances of CBR	111	–
Total balances of market participants	**138 862 456**	**73 095 922**

As at 31 December 2014 balances of market participants in the amount of RUB 114 416 718 thousand (82 %) (31 December 2013: RUB 56 857 538 thousand (78%)) related to 10 market participants which is a significant concentration.

20. Distributions payable to holders of securities

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 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.

(in thousands of Russian Rubles)

21. Other liabilities

	31 December 2014	31 December 2013
Other financial liabilities:		
Payroll settlements	469 998	326 526
Payables for services	64 455	47 914
Payables related to acquisition of property equipment and intangible assets	–	27 122
Other	371	3 917
Total other financial liabilities	**534 824**	**405 479**
Other non-financial liabilities		
Advances received for depository services	181 765	187 693
Taxes payable other than income tax	23 061	21 863
Total other liabilities	**739 650**	**615 035**

22. Share capital and share premium

As at 31 December 2014 and 2013 NSD's share capital comprised of 1 180 675 ordinary registered shares with par value of RUB 1 000 each.

Share capital is reported in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. As at 31 December 2014 and 2013 the share capital includes inflation adjustment amounted to RUB 1 193 982 thousand.

Share premium represents an excess of the sale price of NSD's share over their par value. Share premium was formed as a result of merge of NDC and MICEX SH (Note 1) and sale of shares to the former shareholders of NDC.

23. Retained earnings

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. As at 31 December 2014 and 2013 reserve fund amounted to RUB 185 055 thousand and RUB 185 055 thousand respectively.

24. Commitments and contingencies

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

	31 December 2014	31 December 2013
Less than 1 year	17 188	15 510
More than 1 year but less than 5 years	7 557	18 905
Total operating lease liabilities	**24 745**	**34 415**

24. Commitments and contingencies (continued)

Legal proceedings – A significant part of the Group's activities are within the Russian Federation. From time to time and in the normal course of business claims against the Group may be received from customers and counterparties. Management believes that no material losses will be incurred by the Group as a result of such claims and accordingly no provisions have 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 Ruble, as well as sanctions imposed on Russia by several countries. In December 2014, the Ruble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%. Russia's credit rating in January-February 2015 was lowered by Fitch Ratings to the level of BBB-, the agency Standard & Poor's BB + to the mark and the agency Moody's Investors Service to the level of Ba1. Russia's credit rating from agencies Standard & Poor's and Moody's Investors Service for the first time in ten years has fallen below investment grade. 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% in March 2015 from 15,0% p.a. to 14%. 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.

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.

Insurance **-** 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).

(in thousands of Russian Rubles)

25. 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.

Transactions with key management

Key management personnel comprise members of the Supervisory Board and Executive Board. The total remuneration paid to key management personnel includes short-term benefits (salary, bonuses, payroll related taxes, insurance, health care, etc.) and payments based on the shares of the parent company.

	Year ended 31 December 2014	Year ended 31 December 2013
Short-term employee benefits	102 907	64 700
Payments based on the shares of the parent company	13 650	19 018
Total remuneration of key management personnel	**116 557**	**83 718**

Transactions with government-related parties

NSD is a subsidiary of the Moscow Exchange holding 99,997% shares as at 31 December 2014 and 2013.

The entities controlled by the Russian Federation together hold less than 50% (31 December 2013: more than 50%) of voting shares of Moscow Exchange. Accordingly, the Russian Federation exercises significant influence (31 December 2013: control) over NSD.

The Group considers government-related entities as related parties if Russian Federation has direct or indirect control or significant influence over the entity. Transactions with state-related entities constitute a significant part of the Group's operations. Such transactions include settlement services, attracting deposits, placement of funds with government-related banks, as well as bonds issued by the Russian Federation, property and equipment lease, information and technical services.

Transactions with associates

As at 31 December 2013, investments in associates are included in the Consolidated Statement of Financial Position in the amount of RUB 561 569 thousand.

Fee and commission income in the amount of RUB 16 thousand and share of profits of associates in the amount of RUB 26 233 thousand are included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2013.

(in thousands of Russian Rubles)

26. Capital management

The Group's capital management policy is aimed to ensure successful and stable operations and to maximize shareholder's value.

The capital structure of the Group consists of share capital, share premium and retained earnings.

NSD's Executive Board reviews the capital structure annually. As a part of this review, the Executive Board considers changes in the cost of capital and the risks associated with each class of capital. Based on recommendations of the Executive Board the Group balances its overall capital structure through the payment of dividends or new share issues.

The CBR established special requirements for credit institutions and banking groups in respect of the minimum amount of capital adequacy calculated based on RAS financial statements. The CBR requires non-banking credit institutions to maintain a ratio of capital to risk-weighted assets ("capital adequacy ratio") at a level exceeding the minimum ratio of 12%.

Being professional participants of the securities market, the Group companies must comply with capital adequacy requirements in respect of minimal amounts of equity for each company depending on the type of its operations.

Capital adequacy ratios for the Group companies were as follows:

	Equity		Mandatory equity		Capital adequacy ratio	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
NSD	9 406 903	7 315 399	4 000 000	4 000 000	27,1	29,2
DCC	1 322 777	1 262 180	15 000	250 000	–	–

The capital adequacy ratio at 31 December 2013 has been restated in accordance with the Regulations of the Central Bank of the Russian Federation №139-I.

The Group companies complied with all external capital adequacy requirements.

(in thousands of Russian Rubles)

27. Fair value measurements

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm's length transaction, other than in forced or liquidation sale.

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

- Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

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 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 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	31 December 2014		
	Level 1	**Level 3**	**Total**
Financial assets at fair value through profit or loss	6 251 671	–	**6 251 671**
Investments available-for-sale	–	7 317	**7 317**

Financial assets and liabilities measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	31 December 2013		
	Level 1	**Level 3**	**Total**
Financial assets at fair value through profit or loss	23 369 812	–	**23 369 812**
Investments available-for-sale	–	7 441	**7 441**

(in thousands of Russian Rubles)

27. Fair value measurements (continued)

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

	Investments available-for-sale
Balance at 31 December 2012	**7 348**
Foreign exchange gain	93
Balance at 31 December 2013	**7 441**
Foreign exchange loss	(124)
Balance at 31 December 2014	**7 317**

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

28. Risk management policies

Key risks inherent in the Group's operations include credit, interest rate, currency, operating and information risks.

Elimination of manual data processing is one of the ways to mitigate operating risk. The Group constantly seeks to ensure maximum possible automated processes of information acceptance, transfer and processing. To minimize human errors the Group has established a system of multi-stage preliminary, current and subsequent control of personnel's compliance with the regulatory requirements as well as orders, provisions and other internal regulations of the Group in performing their assigned functions.

The Group is exposed to information risk associated with the usage of electronic means of communication with clients, and arising at the stages of information processing by the Group companies, as there is a risk of misstatement, including deliberate unauthorized data usage and misrepresentation as a result of unauthorized access.

Information risk mitigation measures used by the Group include segregating user access rights to operating environment, depending on their responsibilities, regular data backup and archiving, and regular mandatory change of passwords in accordance with generally accepted practices.

Credit risk

Credit risk is the risk of losses as a result of the non-settlement late or partial settlement by a debtor of its contractual financial obligations.

These financial liabilities include the borrower's liabilities related to loans (deposits, borrowings), other placements and liabilities.

(in thousands of Russian Rubles)

28. Risk management policies (continued)

Credit risk (continued)

The Group is not exposed to significant credit risks due to the fact that it does not issue loans and guarantees, clients' settlement documents are executed only if they have positive balances with the Group, accounts of market participants and equity in Russian rubles are held on the Group's accounts with the CBR, accounts and deposits with the largest Russian banks, as well as invested in debt securities issued by the Russian Government.

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

Financial assets are graded according to the current credit rating issued by an external internationally recognized 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 31 December 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 other financial assets as at 31 December 2014:

	AA	A	BBB	less BBB-	Not rated	31 December 2014 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	59 332 973	16 574 316	69 247 481	192 222	141	**145 347 133**
Financial assets at fair value through profit or loss	–	–	6 251 671	–	–	**6 251 671**
Due from banks	415 618	–	30 164	1 267 573	–	**1 713 355**
Other financial assets	10 847	758	163 929	43 411	129 495	**348 440**

As at 31 December 2013:

	AA	A	BBB	less BBB-	Not rated	31 December 2013 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	6 125 809	31 395 374	20 618 742	–	69	**58 139 994**
Financial assets at fair value through profit or loss	–	–	23 369 812	–	–	**23 369 812**
Due from banks	–	–	1 222 874	–	–	**1 222 874**
Other financial assets	10 335	1 133	124 611	25 682	96 895	**258 656**

Geographical concentration

As at 31 December 2014 and 2013, all material assets and liabilities of the Group are represented by operational balances in the Russian Federation except:

- Correspondent accounts with large banks of the OECD countries that are recorded as cash and cash equivalents (Note 14).
- Receivables on depository operations with financial institutions of the OECD countries as at 31 December 2014: 12 601 RUB thousand (31 December 2013: RUB 11 492 thousand).

(in thousands of Russian Rubles)

28. Risk management policies (continued)

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

According to Russian laws and internal regulations, the Group is entitled to make investments in accordance with the limits stipulated by mandatory regulations.

In this respect the Group places temporarily available funds on accounts and deposits with banks, debt securities issued by the Russian Government, deposits with the CBR maturing within 30 calendar days and discount bonds issued by the CBR. Amounts of deposits placed with the CBR and bonds issued by the CBR are determined on a daily basis within the limits established by decision of the Supervisory Board of NSD. Thus, the Group controls liquidity risk by placement of temporarily available funds in risk-free assets or those exposed to minimal risk.

The liquidity position is controlled on a daily basis in accordance with the internal regulations.

All assets and liabilities of the Group except for property and equipment and intangible assets are expected to be settled or recovered within 12 months following the reporting date.

As at 31 December 2014 and 2013, undiscounted cash flows for financial liabilities do not differ from their carrying amounts.

Fair value interest rate risk

Due to the specific nature of its activities, the Group is exposed to interest rate risk. The Group does not have material interest bearing obligations. Interest rates on due from banks are fixed and set for a short period of time. The Group's assets sensitive to market interest rate changes are represented by the trading portfolio of high-liquid debt obligations.

The sensitivity analysis presented below was performed taking into account risks of fluctuations in the interest rate as at the reporting date. The calculation is based on the assumption of interest rate change by 570 basis points as at 31 December 2014 (31 December 2013: 100 basis points) which is in line with management's expectations of reasonably possible fluctuations in interest rates.

	At 31 December 2014		**At 31 December 2013**	
	Net profit	**Equity**	**Net profit**	**Equity**
570 bp rise (31 December 2013: 100 bp)	(155 731)	(155 731)	(259 413)	(259 413)
570 bp fall (31 December 2013: 100 bp)	163 949	163 949	263 907	263 907

Currency risk

The Group is exposed to the effects of fluctuations in the prevailing levels of foreign exchange rates on its financial position and cash flows. Currency risk mainly results from open foreign currency positions. The Group companies maintain control over the currency risk through monitoring of open foreign currency positions.

(in thousands of Russian Rubles)

28. Risk management policies (continued)

Currency risk (continued)

As at 31 December 2014, the Group had the following positions in different currencies:

	RUB	USD	EUR	Other currencies	31 December 2014 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	66 960 883	63 145 826	15 235 579	10 666	**145 352 954**
Financial assets at fair value through profit or loss	6 251 671	–	–	–	**6 251 671**
Due from banks	1 323 867	389 488	–	–	**1 713 355**
Other financial assets	354 991	–	766	–	**355 757**
Total financial assets	**74 891 412**	**63 535 314**	**15 236 345**	**10 666**	**153 673 737**
FINANCIAL LIABILITIES:					
Balances of market participants	60 758 578	62 860 158	15 234 393	9 327	**138 862 456**
Distributions payable to holders of securities	5 680 932	672 073	–	1	**6 353 006**
Other financial liabilities	502 429	15 817	16 574	4	**534 824**
Total financial liabilities:	**66 941 939**	**63 548 048**	**15 250 967**	**9 332**	**145 750 286**
Open position	**7 949 473**	**(12 734)**	**(14 622)**	**1 334**	

As at 31 December 2013, the Group had the following positions in different currencies:

	RUB	USD	EUR	Other currencies	31 December 2013 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	16 719 585	41 334 264	76 757	11 444	**58 142 050**
Financial assets at fair value through profit or loss	23 369 812	–	–	–	**23 369 812**
Due from banks	1 222 874	–	–	–	**1 222 874**
Other financial assets	264 424	696	974	3	**266 097**
Total financial assets	**41 576 695**	**41 334 960**	**77 731**	**11 447**	**83 000 833**
FINANCIAL LIABILITIES:					
Balances of market participants	32 042 010	40 969 832	75 899	8 181	**73 095 922**
Distributions payable to holders of securities	3 311 499	358 974	–	288	**3 670 761**
Other financial liabilities	378 986	19 383	7 109	1	**405 479**
Total financial liabilities:	**35 732 495**	**41 348 189**	**83 008**	**8 470**	**77 172 162**
Open position	**5 844 200**	**(13 229)**	**(5 277)**	**2 977**	

(in thousands of Russian Rubles)

28. Risk management policies (continued)

Analysis of sensitivity to currency risk

The following table presents the analysis of the Group's sensitivity to reasonably possible change in the US dollar and euro against the Russian ruble:

	At 31 December 2014		At 31 December 2013	
	USD	EUR	USD	EUR
	26%	26%	10%	10%
26% ruble appreciation (31 December 2013: 10%)	2 649	3 041	1 058	422
26% ruble depreciation (31 December 2013: 10%)	(2 649)	(3 041)	(1 058)	(422)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities might be non-linear thus, the results should not be interpolated or extrapolated.

The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally the Group's financial position may vary at the time that any actual market movement occurs. For example, the Group's financial risks management strategy is aimed at managing the exposure to market fluctuation. In the event of sharp negative fluctuations of prices on the securities market, management actions could include selling investments, changing trade portfolio structure and taking other protective actions. Consequently, changes in assumptions may have no effect on liabilities while significantly influencing assets recorded at fair value in the statement of financial position. In these circumstances, different measurement bases for assets and liabilities may lead to significant equity fluctuations.

Other limitations of the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of future market changes that cannot be predicted with any certainty. Another assumption is that all interest rates change in a similar way.