NATIONAL SETTLEMENT DEPOSITORY
MOSCOW EXCHANGE GROUP

CONSOLIDATED FINANCIAL STATEMENTS

National Settlement Depository
and its subsidiary

FOR THE YEAR
ENDED 31 DECEMBER 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To Shareholders of National Settlement Depository

We have audited the accompanying consolidated financial statements of National Settlement Depository (hereafter - NSD) and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2013, and a summary of significant accounting policies and other explanatory information.

AUDITED ENTITY'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NSD and its subsidiary as at 31 December 2013, and their financial performance and cash flows for the year 2013 in accordance with International Financial Reporting Standards.

E.V. ZAICHIKOVA
Partner
Ernst & Young Vneshaudit CJSC

1 April 2014

DETAILS OF THE AUDITED ENTITY

Name: NSD
Record made in the State Register of Legal Entities 30 August 2002, State Registration Number 1027739132563.
Address: Russia,105066, 12, Spartakovskaya str., Moscow

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.
Ernst & Young Vneshaudit OJSC is a member of Non Profit partnership "Russian Audit Chamber" ("NP APR"). Ernst & Young Vneshaudit OJSC is registered in the register of auditors and audit organizations of NP APR, number 3027, and also included in the control copy of the register of auditors and audit organizations, main registration number 10301017410.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013
(IN THOUSANDS OF RUSSIAN RUBLES)

	NOTES	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Fee and commission income	5	2 459 945	1 955 663
Interest income	6	1 926 811	1 211 298
Net gains from operations with securities at fair value through profit or loss	7	1 697 473	2 870 661
Net gains from operations with derivatives at fair value through profit or loss	8	477 425	-
Other income	9	36 543	113 771
Operating income		6 598 197	6 151 393
Personnel expenses	10	(1 264 365)	(1 142 162)
Administrative and other operating expenses	11	(826 547)	(627 915)
Commission expenses		(246 389)	(210 948)
Operating profit		4 260 896	4 170 368
Share of profits of associates		26 233	47 332
Profit before tax		4 287 129	4 217 700
Income tax expense	12	(800 284)	(682 667)
Net profit		3 486 845	3 535 033
Attributable to:			
Equity holders of the Parent		3 486 844	3 534 870
Non-controlling interest		1	163
Total comprehensive income		3 486 845	3 535 033

Chairman of the Executive Board
E.V. ASTANIN

1 April 2014
Moscow

Chief Accountant
I.E. VEREMEENKO

1 April 2014
Moscow

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013 (IN THOUSANDS OF RUSSIAN RUBLES)

	NOTES	31 DECEMBER 2013	31 DECEMBER 2012
ASSETS			
Cash and cash equivalents	13	58 142 050	77 221 030
Financial assets at fair value through profit or loss	14	23 369 812	30 867 138
Due from banks	15	1 222 874	1 122 225
Investments in associates	16	–	561 569
Property and equipment	17	2 926 021	2 824 482
Intangible assets	17	352 784	236 405
Current tax prepayments		–	34 303
Deferred tax assets	12	81 424	52 433
Other assets	18	343 931	417 516
Total assets		86 438 896	113 337 101
LIABILITIES			
Balances of market participants	19	73 095 922	99 695 539
Distributions payable to holders of securities	20	3 670 761	4 436 856
Current tax payables		9 284	–
Other liabilities	21	615 035	666 011
Total liabilities		77 391 002	104 798 406
EQUITY			
Share capital	22	1 193 982	1 193 982
Share premium		1 957 050	1 957 050
Payments based on the shares of the parent company		23 808	1 454
Retained earnings		5 873 028	5 386 184
Total equity attributable to owners of the Parent		9 047 868	8 538 670
Non-controlling interest		26	25
Total equity		9 047 894	8 538 695
Total liabilities and equity		86 438 896	113 337 101

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013
(IN THOUSANDS OF RUSSIAN RUBLES)

	NOTES	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:			
Profit before tax		4 287 129	4 217 700
Adjustments for:			
Loss on disposal of investments in associates	11	136 235	-
Depreciation and amortization of property and equipment and intangible assets	11, 17	183 330	155 889
Net change of other accrued income/expense		14 888	14 335
Payments based on the shares of the parent company	10	22 354	1 454
Net change in interest accruals		19 351	(846)
Unrealized losses/(gains) on foreign exchange operations		20	(906)
Share of profits of associates		(26 233)	(47 332)
Net change in fair value of financial assets and liabilities at fair value through profit or loss		(2 498)	(560 864)
Net loss on disposal of property and equipment and intangible assets	9, 11	818	2 766
Gain on bargain purchase		-	(91 390)
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Financial assets at fair value through profit or loss		7 499 824	7 220 231
Due from banks		(120 000)	(1 100 000)
Other assets		70 487	465 922
Increase/(decrease) in operating liabilities:			
Balances of market participants		(28 600 165)	1 511 824
Distributions payble to holders of securities		(763 202)	1 716 234
Other liabilities		(62 651)	319 852
Cash flows (used in)/from operating activities before taxation		(17 340 313)	13 824 869
Income tax paid		(785 688)	(612 905)
Cash flows (used in)/from operating activities		**(18 126 001)**	**13 211 964**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)
(IN THOUSANDS OF RUSSIAN RUBLES)

	NOTES	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:			
Proceeds from disposal of investments in associates		451 567	–
Repayment of loans		–	903 023
Proceeds from disposal of property and equipment and intangible assets		691	5 444
Purchase of property and equipment	17	(220 572)	(1 027 054)
Purchase of intangible assets	17	(182 185)	(117 142)
Acquisition of subsidiary net of cash acquired in the subsidiary		–	(801 578)
Cash flows from/(used in) investing activities		**49 501**	**(1 037 307)**
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Dividends paid		(3 000 000)	(1 200 000)
Acquisition of non-controlling interest in subsidiaries		–	(26 737)
Cash flows used in financing activities		**(3 000 000)**	**(1 226 737)**
Effect of changes in foreign exchange rates on cash and cash equivalents		1 997 520	(535 756)
Net (decrease)/increase in cash and cash equivalents		(19 078 980)	10 412 164
Cash and cash equivalents, beginning of year	13	77 221 030	66 808 866
Cash and cash equivalents, end of year	13	58 142 050	77 221 030

Interest received by the Group for the year ended 31 December 2013 amounted to RUB 1 946 162 thousand (31 December 2012: RUB 1 210 452 thousand).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013 (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 2011	**1 193 982**	**1 957 050**	**-**	**3 051 127**	**6 202 159**	**–**	**6 202 159**
Total comprehensive income for the period	–	–	–	3 534 870	3 534 870	163	3 535 033
Dividends declared	–	–	–	(1 200 000)	(1 200 000)	–	(1 200 000)
Payments based on the shares of the parent company	–	–	1 454	–	1 454	–	1 454
Acquisition of a subsidiary	–	–	–	–	–	26 786	26 786
Acquisition of non-controlling interest	–	–		187	187	(26 924)	(26 737)
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**

NOTES TO 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 and CFI 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 the 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 2013 and 2012, the share of ownership comprised 99,997%.

Entities controlled by the Russian Federation together hold more than 50% of the Moscow Exchange voting shares. Consequently, Russian Federation has 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 «Depository Clearing Company» (hereinafter – «DCC») acquired in 2012 from the Moscow Exchange. As at 31 December 2013 and 2012, the share of ownership comprised 99,998%.

The Group had investments in shares of associate CJSC Settlement Depository Company (hereinafter – «SDC») as at 31 December 2013. In June 2013, the Group sold these shares to the Moscow Exchange.

NSD and its subsidiary are located in the Russian Federation.

DCC provides depository, clearing and settlement services. DCC holds licenses for depository and clearing services.

As at 31 December 2013, the Group had 506 employees (31 December 2012: 515 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.

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.

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.

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.

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.

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.

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 10).

CONTINGENCIES

Contingent liabilities are not recognized in the Consolidated Statement of Financial Position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the Consolidated Statement of Financial Position but disclosed when an inflow of economic benefits is probable.

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 2013	31 DECEMBER 2012
RUB / 1 USD	32,7292	30,3727
RUB / 1 EUR	44,9699	40,2286

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 2013.

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

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

AMENDMENT TO IAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

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

AMENDMENTS TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

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

AMENDMENTS TO IFRS 7 DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. The Group has no subsidiaries with material non-controlling interests as well as unconsolidated structured entities. IFRS 12 disclosures provide in Notes 1.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 13 FAIR VALUE MEASUREMENT

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The Group provides these disclosures in Note 27.

IAS 19 EMPLOYEE BENEFITS

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

NEW AND REVISED IFRS ISSUED 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

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

INVESTMENT ENTITIES (AMENDMENTS TO IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS, IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES AND IAS 27 SEPARATE FINANCIAL STATEMENTS (AS REVISED IN 2011))

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

IAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – AMENDMENTS TO IAS 32

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

IFRIC INTERPRETATION 21 LEVIES (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have a material impact on its financial statements.

IAS 39 NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING – AMENDMENTS TO IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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 2013, the total amount of accounts receivable less allowance for impairment was RUB 258 656 thousand (31 December 2012: RUB 326 829 thousand).

As at 31 December 2013, the allowance for impairment of other assets is not produced.

5. FEE AND COMMISSION INCOME

	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Depository services	2 291 223	1 814 567
Settlement services	88 280	93 043
Sale of technical services	46 654	45 358
Other services	33 788	2 695
Total fee and commission income	2 459 945	1 955 663

6. INTEREST INCOME

	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Interest on correspondent and current accounts with other banks	976 983	743 138
Interest on deposits with the CBR	857 096	416 895
Interest on deposits with other banks	92 508	22 225
Interest on other placements	224	29 040
Total interest income	1 926 811	1 211 298

7. NET GAINS FROM OPERATIONS WITH SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Interest income	2 072 967	3 449 399
Net losses from operations with OFZ	(375 494)	(578 738)
Total net gains from operations with securities at fair value through profit or loss	1 697 473	2 870 661

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.

9. OTHER INCOME

	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Income from lease	32 773	11 648
Gain on bargain purchase	–	91 390
Gain on disposal of property, equipment and intangible assets	–	2 412
Other	3 770	8 321
Total other income	36 543	113 771

As of April 12, 2012, as a result of accomplishment of optimization of depository and clearing business within Moscow Exchange Group NSD obtained control over DCC. As of April12, 2012 NSD acquired 97,756% of DCC shares. The sum of consideration transferred amounted to RUB 1 075 855 thousand. Gain on bargain purchase amounted to RUB 91 390 thousand was recognized NSD as a result of business combination.

10. PERSONNEL EXPENSES

	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Personnel expenses	1 079 595	963 881
Payroll related taxes	162 416	176 827
Payments based on the shares of the parent company	22 354	1 454
Total personnel expenses	1 264 365	1 142 162

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	**-**	**-**
Granted	2 200 001	46,90
Outstanding at 31 December 2012	**2 200 001**	**46,90**
Granted	1 000 000	46,90
Outstanding at 31 December 2013	**3 200 001**	**46,90**

The weighted average remaining contractual life for the share options outstanding as at 31 December 2013 was 1,23 years (31 December 2012: 1,94 years). The weighted average fair value of options granted during the year was RUB 22,50 (31 December 2012: RUB 17,36) per 1 option. Exercise prices for options outstanding as at 31 December 2013 were RUB 46,90 (31 December 2012: RUB 46,90).

The following table lists the inputs to the models used:

ASSUMPTION	VALUE
Expected volatility	25,2%
Risk-free interest rate	6,5%
The parent company's share price, RUB	67,27
Dividend yield	**4,8%**

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

11. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Taxes (other than income tax)	172 015	94 185
Loss on disposal of investments in associates	136 235	-
Depreciation of property and equipment	118 307	83 372
Maintenance of property and equipment and intangible assets	105 157	95 554
Amortization of intangible assets	65 023	72 517
Professional services	55 234	50 149
Insurance	40 640	43 934
Communication and telecommunication	27 810	20 298
Rent expenses	23 023	63 852
Corporate events	22 939	12 478
Advertising	12 716	15 211
Business trip expenses	9 935	10 684
Security	9 383	8 302
Write-off of materials	8 378	27 167
Stationery	4 192	5 703
Charge of allowances for potential losses	3 201	2 824
Charity	2 759	3 370
Loss on disposal of property, equipment and intangible assets	818	5 178
Other	8 782	13 137
Total administrative and other operating expenses	826 547	627 915

12. 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 2013 and 2012 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.

Tax effects of temporary differences as at 31 December 2013 and 2012, were as follows:

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
	31 DECEMBER 2013	31 DECEMBER 2012	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Tax effect of deductible temporary differences:				
Financial assets at fair value through profit or loss	21 164	21 664	(500)	(114 117)
Property and equipment and intangible assets	5 264	4 947	317	(8 760)
Other assets	509	113	396	(3 625)
Accounts payable	66 104	54 277	11 827	45 738
	93 041	**81 001**	**12 040**	**(80 764)**
Tax effect of non-deductible temporary differences:				
Investments accounted for using the equity method	–	(23 388)	23 388	(18 430)
Property and equipment and intangible assets	(11 617)	(5 180)	(6 437)	2 880
	(11 617)	**(28 568)**	**16 951**	**(13 558)**
Deferred tax income/(expense)			**28 991**	**(94 322)**
Deferred tax assets	**81 424**	**52 433**		

Reconciliation of income tax expense and accounting profit for the years ended 31 December 2013 and 2012 is presented below:

	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Profit before income tax	**4 287 129**	**4 217 700**
Statutory tax rate	20%	20%
Tax at the statutory tax rate (20%)	857 426	843 540
Tax effect of income taxed at rates different from the statutory tax rate	(103 683)	(171 355)
Tax effect of non-taxable expenses	29 341	28 760
Previously unrecognized deferred tax related to subsidiary transferred to disposal group	10 580	–
Adjustments in respect of current income tax of previous years	6 620	–
Tax effect of non-taxable income	–	(18 278)
Income tax expense	**800 284**	**682 667**
Current income tax expense	822 655	588 345
Adjustments in respect of current income tax of previous years	6 620	–
Deferred taxation movement due to origination and reversal of temporary differences	(28 991)	94 322
Income tax expense	**800 284**	**682 667**

Deferred tax assets are as follows:

	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
As at 1 January	**52 433**	**143 181**
Change in deferred income tax balances recognized in profit or loss	28 991	(94 322)
Deferred tax asset arising on business combinations	–	3 574
As at 31 December	**81 424**	**52 433**

13. CASH AND CASH EQUIVALENTS

	31 DECEMBER 2013	31 DECEMBER 2012
Balances with the CBR	10 482 466	43 582 303
Balances with banks:		
– Russian Federation	10 136 331	10 526 033
– Organization for Economic Cooperation and Development (OECD) countries	37 521 184	23 109 403
– other countries	13	1
Cash on hand	2 056	3 290
Total cash and cash equivalents	**58 142 050**	**77 221 030**

As at 31 December 2013, the Group has balances with seven counterparties each of which is greater than 10% of equity (31 December 2012: four counterparties). The total aggregate amount of these balances is 57 813 857 RUB thousand or 99% of total cash and cash equivalents as at 31 December 2013 (31 December 2012: RUB 76 618 635 thousand or 99% of total cash and cash equivalents).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 DECEMBER 2013	31 DECEMBER 2012
Bonds issued by the Russian Federation	23 369 812	30 867 138
Total financial assets at fair value through profit or loss	**23 369 812**	**30 867 138**

As at 31 December 2013, financial assets at fair value through profit or loss of RUB 6 130 362 thousand (31 December 2012: RUB 6 189 228 thousand) were placed on designated deposit account «Blocked securities» intended for the purposes of lombard lending from the CBR.

15. DUE FROM BANKS

As at 31 December 2013, due from banks 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.

As at 31 December 2012 due from banks comprised a deposit with Russian bank (BBB- credit rating of Fitch Ratings) totaling RUB 1 122 225 thousand including accrued interest.

16. INVESTMENTS IN ASSOCIATES

In June 2013, the Group sold these shares to the Moscow Exchange.

As at 31 December 2012, investments in associates were presented below:

	31 DECEMBER 2012				
	OWNERSHIP INTEREST	PRINCIPAL PLACE OF BUSINESS	COUNTRY OF INCORPORATION	NATURE OF ACTIVITIES	CARRYING VALUE
SDCO	28,54%	Russian Federation	Russian Federation	Depository and settlement operations	561 569
Total investments in associates					**561 569**

As at 31 December 2012 and for the year then ended, the summarized financial information of investments in associates was presented below:

	31 DECEMBER 2012
Cash and cash equivalents	2 774 263
Due from financial institutions	1 593 738
Property and equipment and intangible assets	73 840
Other assets	24 742
Total assets	**4 466 583**

	31 DECEMBER 2012
Due to customers	2 514 298
Deferred tax liability	6
Other liabilities	18 070
Total liabilities	**2 532 374**
Net assets	**1 934 209**
Carrying value of the investment in the associate	**552 023**

	YEAR, ENDED 31 DECEMBER 2012
Fee and commission income	202 505
Commission expenses	(186 784)
Interest income	201 332
Net other expenses	(7 338)
Profit for the year	**165 829**
Total comprehensive income for the year	**165 829**

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 2011	**22 274**	**1 646 103**	**350 258**	**2 018 635**	**250 306**	**2 268 941**
Additions	71 865	932 382	22 807	1 027 054	117 142	1 144 196
Acquisition of a subsidiary	–	–	5 219	5 219	56 822	62 041
Disposals	–	–	(33 935)	(33 935)	(22 782)	(56 717)
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**
Accumulated depreciation						
31 December 2011	**–**	**38 409**	**101 525**	**139 934**	**110 258**	**250 192**
Charge for the period	–	39 234	44 138	83 372	72 517	155 889
Written off in disposal	–	–	(30 815)	(30 815)	(17 692)	(48 507)
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**
Net book value						
31 December 2012	**94 139**	**2 500 842**	**229 501**	**2 824 482**	**236 405**	**3 060 887**
31 December 2013	**94 139**	**2 552 729**	**279 153**	**2 926 021**	**352 784**	**3 278 805**

Intangible assets include computer software, trademarks and licenses.
As at December 31, 2013, historical cost of fully depreciated property and equipment amounts to RUB 61 855 thousand (December 31, 2012: RUB 34 753 thousand).

As at December 31, 2013, historical cost of fully depreciated intangible assets to RUB 147 753 thousand (December 31, 2012: RUB 86 826 thousand).

18. OTHER ASSETS

	31 DECEMBER 2013	31 DECEMBER 2012
Other financial assets		
Services and other accounts receivable	262 381	329 567
Available-for-sale investments	7 441	7 348
Less allowance for impairment	(3 725)	(2 738)
Total other financial assets	**266 097**	**334 177**
Other non-financial assets:		
Prepaid expenses	68 569	77 348
Tax receivable other than income tax	9 265	5 991
Total other assets	**343 931**	**417 516**

19. BALANCES OF MARKET PARTICIPANTS

	31 DECEMBER 2013	31 DECEMBER 2012
Balances of market participants – credit institutions	63 568 838	78 631 124
Balances of market participants – financial companies	9 527 084	21 064 415
Total balances of market participants	**73 095 922**	**99 695 539**

As at 31 December 2013 balances of market participants in the amount of RUB 56 857 538 thousand (78%) (31 December 2012: RUB 72 554 948 thousand (73%)) 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.

21. OTHER LIABILITIES

	31 DECEMBER 2013	31 DECEMBER 2012
Other financial liabilities:		
Payroll settlements	326 526	268 471
Payables for services	47 914	41 126
Payables related to acquisition of property equipment and intangible assets	27 122	38 145
Other	3 917	2 969
Total other financial liabilities	**405 479**	**350 711**
Other non-financial liabilities:		
Advances received for depository services	187 693	154 897
Taxes payable other than income tax	21 863	160 403
Total other liabilities	**615 035**	**666 011**

22. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2013 and 2012 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 2013 and 2012 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 2013 and 2012 reserve fund amounted to RUB 185 055 thousand and RUB 183 760 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 2013	31 DECEMBER 2012
Less than 1 year	15 510	12 362
More than 1 year but less than 5 years	18 905	12 923
Total operating lease liabilities	34 415	25 285

Legal proceedings – 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.

Taxation – Provisions of the Russian tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Russian tax authorities to make decisions based on their own arbitrary interpretations of these provisions.

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

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates. Also according to the clarification of the courts, the statute of limitation for tax liabilities may be extended if a court determines that the taxpayer has obstructed or hindered a tax inspection.

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, 2012: USD 65 million).

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 2013	YEAR ENDED 31 DECEMBER 2012
Short-term employee benefits	64 700	60 189
Payments based on the shares of the parent company	19 018	1 454
Total remuneration of key management personnel	83 718	61 643

TRANSACTIONS WITH GOVERNMENT-RELATED PARTIES

NSD is a subsidiary of the Moscow Exchange holding 99,997% shares as at 31 December 2013 and 2012.

The entities controlled by the Russian Federation together hold more than 50% of voting shares of Moscow Exchange. Accordingly, the Russian Federation exercises control over 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 2012, investments in associates are included in the Consolidated Statement of Financial Position in the amount of RUB 561 569 thousand.

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

	YEAR ENDED 31 DECEMBER 2013	YEAR ENDED 31 DECEMBER 2012
Share of profits of associates	26 233	47 332
Fee and commission income	16	–

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 consolidated 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 2013	31 DECEMBER 2012	31 DECEMBER 2013	31 DECEMBER 2012	31 DECEMBER 2013	31 DECEMBER 2012
NSD	7 315 399	5 830 654	4 000 000	4 000 000	30,3	32,1
DCC	1 262 180	1 172 323	250 000	250 000	–	–

The Group companies complied with all external capital adequacy requirements.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	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

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

	31 DECEMBER 2012		
	LEVEL 1	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss	30 867 138	–	30 867 138
Investments available-for-sale	–	7 348	7 348

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

	INVESTMENTS AVAILABLE-FOR-SALE
Balance at 31 December 2011	**6 552**
Level 3 securities purchased	766
Foreign exchange gain	30
Balance at 31 December 2012	**7 348**
Foreign exchange gain	93
Balance at 31 December 2013	**7 441**

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.

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

The following table details the credit ratings of other financial assets as at 31 December 2013:

	31 DECEMBER 2013					
	AA	A	BBB	LESS BBB-	NOT RATED	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**

As at 31 December 2012:

	31 DECEMBER 2012					
	AA	A	BBB	LESS BBB-	NOT RATED	TOTAL
FINANCIAL ASSETS:						
Cash and cash equivalents	220 975	22 888 078	54 072 255	–	36 432	**77 217 740**
Financial assets at fair value through profit or loss	–	–	30 867 138	–	–	**30 867 138**
Due from banks	–	–	–	1 122 225	–	**1 122 225**
Other financial assets	–	–	195 550	13 208	118 071	**326 829**

GEOGRAPHICAL CONCENTRATION

As at 31 December 2013 and 2012, 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 12).
- Receivables on depository operations with financial institutions of the OECD countries as at 31 December 2013: 11 492 RUB thousand (31 December 2012: RUB 472 thousand).

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 2013 and 2012, 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 100 basis points as at 31 December 2013 (31 December 2012: 150 bp) which is in line with management's expectations of reasonably possible fluctuations in interest rates.

	AT 31 DECEMBER 2013		AT 31 DECEMBER 2012	
	NET PROFIT	EQUITY	NET PROFIT	EQUITY
100 bp rise (31 December 2012: 150 bp)	(259 413)	(259 413)	(342 698)	(342 698)
100 bp fall (31 December 2012: 150 bp)	263 907	263 907	351 777	351 777

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.

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

	31 DECEMBER 2013				
	RUB	USD	EUR	OTHER CURRENCIES	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	

As at 31 December 2012, the Group had the following positions in different currencies:

	31 DECEMBER 2012				
	RUB	USD	EUR	OTHER CURRENCIES	TOTAL
FINANCIAL ASSETS:					
Cash and cash equivalents	54 106 434	6 188 231	16 924 972	1 393	77 221 030
Financial assets at fair value through profit or loss	30 867 138	–	–	–	30 867 138
Due from banks	1 122 225	–	–	–	1 122 225
Investments in associates	561 569	–	–	–	561 569
Other financial assets	220 217	113 067	888	5	334 177
Total financial assets	**86 877 583**	**6 301 298**	**16 925 860**	**1 398**	**110 106 139**
FINANCIAL LIABILITIES:					
Balances of market participants	76 901 338	5 872 272	16 921 208	721	99 695 539

	31 DECEMBER 2012				
	RUB	USD	EUR	OTHER CURRENCIES	TOTAL
Distributions payable to holders of securities	4 011 664	425 192	–	–	4 436 856
Other financial liabilities	346 098	2 211	2 392	10	350 711
Total financial liabilities:	**81 259 100**	**6 299 675**	**16 923 600**	**731**	**104 483 106**
Open position	**5 618 483**	**1 623**	**2 260**	**667**	

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 of 10%:

	AT 31 DECEMBER 2013		AT 31 DECEMBER 2012	
	USD	EUR	USD	EUR
	10%	10%	10%	10%
10% ruble appreciation	1 058	422	(130)	(181)
10% ruble depreciation	(1 058)	(422)	130	181

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.