PUBLIC JOINT-STOCK COMPANY MOSCOW EXCHANGE MICEX-RTS

Consolidated Financial Statements
For the Year Ended December 31, 2015

MOSCOW EXCHANGE GROUP

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Совершенствуя бизнес,
улучшаем мир

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

ООО «Эрнст энд Янг Внешаудит»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОГРН: 1167746123478
ИНН: 9705059497

Independent auditor's report

To the shareholders and the Supervisory Board of
Public Joint-Stock Company
"Moscow Exchange MICEX-RTS"

We have audited the accompanying consolidated financial statements of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (hereinafter – Moscow Exchange) and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2015, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Совершенствуя бизнес, улучшаем мир

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 Moscow Exchange as at 31 December 2015, and its financial performance and cash flows for the year 2015 in accordance with International Financial Reporting Standards.

E.V. Zaichikova
Partner
Ernst & Young Vneshaudit LLC

2 March 2016

Details of the audited entity

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

Details of the auditor

Name: Ernst & Young Vneshaudit LLC
Record made in the State Register of Legal Entities on 4 February 2016, State Registration Number 1167746123478.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young Vneshaudit LLC is a member of Self-regulatory organization of auditors "Russian Audit Chamber" (Association) ("SRO APR"). Ernst & Young Vneshaudit LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11601006996.

MOSCOW EXCHANGE GROUP

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2015
(in millions of Russian rubles)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
Fee and commission income	5	17 784,0	15 586,0
Interest and other finance income	6	27 050,0	13 989,7
Interest expense		(122,9)	(530,7)
Net loss on financial assets available-for-sale	7	(280,7)	(1 588,2)
Foreign exchange gains less losses	8	1 438,5	2 408,5
Other operating income	9	121,1	528,7
Operating Income		**45 990,0**	**30 394,0**
Administrative and other operating expenses	10	(5 488,7)	(4 978,5)
Personnel expenses	11	(5 783,2)	(5 394,8)
Operating Profit		**34 718,1**	**20 020,7**
Share of profits of associates		1,2	7,4
Profit before Tax		**34 719,3**	**20 028,1**
Income tax expense	12	(6 867,2)	(4 034,9)
Net Profit		**27 852,1**	**15 993,2**
Attributable to:			
Equity holders of the parent		27 908,8	16 041,5
Non-controlling interest		(56,7)	(48,3)
Earnings per share			
Basic earnings per share, rubles	28	12,51	7,21
Diluted earnings per share, rubles	28	12,44	7,18

Chairman of the Executive Board

Afanasiev A.K.

March 2, 2016
Moscow

Chief Financial Officer,
Management Board Member
Fetisov E.E.

March 2, 2016
Moscow

The notes 1-35 form an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income for the Year Ended December 31, 2015
(in millions of Russian rubles)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
Net profit		27 852,1	15 993,2
Other comprehensive income/(losses) that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(119,5)	(44,3)
Net income/(loss) resulting from revaluation of investments available-for-sale		2 506,2	(2 897,6)
Net loss on investments available-for sale reclassified to profit or loss	7	280,7	1 588,2
Income tax relating to items that may be reclassified		(557,3)	261,9
Other comprehensive income/(losses) that may be reclassified subsequently to profit or loss		2 110,1	(1 091,8)
Total comprehensive income		29 962,2	14 901,4
Attributable to:			
Equity holders of the parent		30 112,3	14 924,0
Non-controlling interest		(150,1)	(22,6)
Total comprehensive income		29 962,2	14 901,4

The notes 1-35 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at December 31, 2015
(in millions of Russian rubles)

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Cash and cash equivalents	13	992 696,1	1 163 783,1
Financial assets at fair value though profit or loss	14	0,4	11 442,0
Due from financial institutions	15	44 403,8	39 828,0
Central counterparty financial assets	16	518 509,3	139 609,8
Investments available-for-sale	17	167 472,3	80 950,3
Investments in associates	18	-	46,1
Property and equipment	19	6 795,8	6 050,3
Intangible assets	20	18 029,4	18 150,3
Goodwill	21	15 971,4	15 971,4
Current tax prepayments		420,4	39,5
Assets held for sale	23	122,5	-
Deferred tax asset	12	114,7	172,6
Other assets	22	1 781,5	1 461,5
TOTAL ASSETS		1 766 317,6	1 477 504,9
LIABILITIES			
Balances of market participants	24	1 119 097,5	1 231 999,1
Central counterparty financial liabilities	16	518 509,3	139 609,8
Distributions payable to holders of securities		6 138,4	6 353,0
Margin account under reverse repo	15	417,7	-
Liabilities related to assets held for sale	23	1,4	-
Deferred tax liability	12	5 017,3	4 015,6
Current tax payables		384,4	736,7
Other liabilities	25	3 142,0	2 943,3
TOTAL LIABILITIES		1 652 708,0	1 385 657,5
EQUITY			
Share capital	26	2 498,1	2 498,1
Share premium	26	32 471,1	32 528,0
Treasury shares	26	(2 921,8)	(3 365,0)
Foreign currency translation reserve		(16,5)	(62,5)
Reserves relating to assets held for sale	23	(72,1)	-
Investments revaluation reserve		901,4	(1 328,2)
Share-based payments		504,6	437,4
Retained earnings		79 991,0	60 735,6
Total equity attributable to owners of the parent		113 355,8	91 443,4
Non-controlling interest		253,8	404,0
TOTAL EQUITY		113 609,6	91 847,4
TOTAL LIABILITIES AND EQUITY		1 766 317,6	1 477 504,9

The notes 1-35 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended December 31, 2015
(in millions of Russian rubles)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES:			
Profit before tax		34 719,3	20 028,1
Adjustments for:			
Depreciation and amortisation charge	10	1 799,7	1 588,0
Deferred commission income	25	395,8	-
Accrued expenses		28,2	-
Fair value adjustment on securities at fair value through profit or loss		58,3	369,4
Share-based payment expense	11	289,9	233,8
Unrealized gain on foreign exchange operations		(207,7)	(53,5)
Share of profits of associates		(1,2)	(7,4)
Loss on disposal of investments available-for-sale	7	280,7	1 588,2
Net change in interest accruals		(2 540,3)	3,2
Net loss on disposal of property and equipment and intangible assets	10	26,1	26,4
Gain from revaluation of previously held equity interest in the acquiree	9	-	(38,7)
Impairment of goodwill and other intangible assets	10	-	209,8
Impairment of other assets	10	19,3	10,5
Impairment related to assets held for sale	10	106,0	-
Bargain gain	9	-	(18,6)
Provision for onerous contracts	10	-	173,2
Gain on disposal of non-current assets held for sale	9	-	(313,6)
Changes in operating assets and liabilities:			
Due from financial institutions		30 884,2	(5 066,9)
Financial assets at fair value through profit or loss		11 226,7	(146,4)
Central counterparty financial assets		(378 899,5)	(92 601,2)
Other assets		(733,5)	(197,7)
Balances of market participants		(330 346,6)	588 493,8
Central counterparty financial liabilities		378 899,5	92 601,2
Distributions payable to holders of securities		(214,6)	2 682,2
Margin account under reverse repo		417,7	-
Other liabilities		(91,2)	696,2
Cash flows (used in) / from operating activities before taxation		(253 883,2)	610 260,0
Income tax paid		(7 101,3)	(2 752,6)
Cash flows (used in) / from operating activities		(260 984,5)	607 507,4

The notes 1-35 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended December 31, 2015 (Continued)
(in millions of Russian rubles)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES:			
Purchase of investments available-for-sale		(154 789,3)	(60 565,9)
Proceeds from disposal of investments available-for-sale		78 486,0	58 870,3
Purchase of property and equipment and intangible assets		(2 208,1)	(1 110,5)
Proceeds from disposal of property and equipment and intangible assets		7,6	5,4
Proceeds from sale of investments in associates		-	593,9
Acquisition of subsidiaries, net of cash acquired		-	5,9
Disposal of subsidiaries, net of cash disposed		-	440,0
Cash flows used in investing activities		(78 503,8)	(1 760,9)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES:			
Dividends paid	27	(8 653,5)	(5 310,1)
Sale of treasury shares		163,6	139,0
Acquisition of non-controlling interest in subsidiaries		-	(2,1)
Loans received		-	(50,1)
Cash flows used in financing activities		(8 489,9)	(5 223,3)
Effect of changes in foreign exchange rates on cash and cash equivalents		175 992,2	306 199,4
Net (decrease) / increase in cash and cash equivalents		(171 986,0)	906 722,6
Cash and cash equivalents, beginning of year	13	1 163 783,1	257 060,5
Cash and cash equivalents, end of year	13	991 797,1	1 163 783,1

Interest received by the Group during the year ended December 31, 2015, amounted to RUB 24 439,3 million (December 31, 2014: RUB 14 464,3 million).

Interest paid by the Group during the year ended December 31, 2015, amounted to RUB 122,9 million (December 31, 2014: RUB 531,4 million).

MOSCOW EXCHANGE GROUP

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2015
(in millions of Russian rubles)

	Share capital	Share premium	Treasury shares	Invest-ments revaluation reserve	Share-based payments	Foreign currency translation reserve	Reserves relating to assets held for sale	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
December 31, 2013	2 598,0	38 953,8	(10 194,1)	(280,7)	368,0	7,5	-	49 999,0	81 451,5	342,6	81 794,1
Net profit	-	-	-	-	-	-	-	16 041,5	16 041,5	(48,3)	15 993,2
Other comprehensive income	-	-	-	(1 047,5)	-	(70,0)	-	-	(1 117,5)	25,7	(1 091,8)
Total comprehensive income for the period	-	-	-	(1 047,5)	-	(70,0)	-	16 041,5	14 924,0	(22,6)	14 901,4
Transactions with owners											
Cancellation of treasury shares	(99,9)	(6 416,5)	6 516,4	-	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	91,3	91,3
Dividends declared (Note 27)	-	-	-	-	-	-	-	(5 310,1)	(5 310,1)	-	(5 310,1)
Share-based payments	-	(9,3)	312,7	-	69,4	-	-	-	372,8	-	372,8
Acquisition of non-controlling interest	-	-	-	-	-	-	-	5,2	5,2	(7,3)	(2,1)
Total transactions with owners	(99,9)	(6 425,8)	6 829,1	-	69,4	-	-	(5 304,9)	(4 932,1)	84,0	(4 848,1)
December 31, 2014	2 498,1	32 528,0	(3 365,0)	(1 328,2)	437,4	(62,5)	-	60 735,6	91 443,4	404,0	91 847,4
Net profit	-	-	-	-	-	-	-	27 908,8	27 908,8	(56,7)	27 852,1
Other comprehensive income	-	-	-	2 229,6	-	(26,1)	-	-	2 203,5	(93,4)	2 110,1
Total comprehensive income for the period	-	-	-	2 229,6	-	(26,1)	-	27 908,8	30 112,3	(150,1)	29 962,2
Foreign currency translation reserve relating to Assets held for sale	-	-	-	-	-	72,1	(72,1)	-	-		-
Transactions with owners											
Share-based payments	-	(56,9)	443,2	-	67,2	-	-	-	453,5	-	453,5
Dividends declared (Note 27)	-	-	-	-	-	-	-	(8 653,4)	(8 653,4)	(0,1)	(8 653,5)
Total transactions with owners	-	(56,9)	443,2	-	67,2	-	-	(8 653,4)	(8 199,9)	(0,1)	(8 200,0)
December 31, 2015	2 498,1	32 471,1	(2 921,8)	901,4	504,6	(16,5)	(72,1)	79 991,0	113 355,8	253,8	113 609,6

The notes 1-35 form an integral part of these consolidated financial statements.

(in millions of Russian rubles, unless otherwise indicated)

1. Organization

Public Joint-Stock Company Moscow Exchange MICEX-RTS (Moscow Exchange) is a stock exchange based in Moscow, Russian Federation. It was established as closed joint-stock company "Moscow Interbank Currency Exchange" (MICEX) in 1992. In December 2011 the company was reorganized into the form of open joint-stock company and renamed to Open Joint-Stock Company MICEX-RTS. In July 2012 the name of the company was changed to Open Joint-Stock Company Moscow Exchange MICEX-RTS. On April 28, 2015 at Annual General Meeting of Shareholders of Moscow Exchange (AGM) the company's new business name as Public Joint Stock Company Moscow Exchange MICEX-RTS was approved to meet revised standards of the Russian Civil Code. The new business name and respective changes to the Charter of Moscow Exchange took effect from May 13, 2015, the day the registration authority recorded new version of the Charter.

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

Moscow Exchange Group ("the Group") is an integrated exchange structure that provides financial market participants with a full set of competitive trading, clearing, settlement, depository and information services. The Group operates on the following markets: foreign currencies exchange market, government securities and money market, market of derivative financial instruments, equities market, corporate and regional bonds market, commodities market.

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

Name	Principal activities	December 31, 2015 Voting rights, %	December 31, 2014 Voting rights, %
CJSC MICEX Stock Exchange (MICEX SE)	Stock exchange operations	100%	100%
NCO CJSC National Settlement Depository (NSD)	Depository, clearing and settlement services	99,997%	99,997%
Bank National Clearing Centre (JSC) (former CJSC National Clearing Center) (NCC)	Banking and clearing operations	100%	100%
CJSC DCC (former CJSC Depository Clearing Company) (DCC)	Depository services	-	99,995%
OJSC Evraziyskaia Trading System Commodity Exchange (ETS)	Commodities exchange operations	60,82%	60,82%
LLC MICEX Finance (MICEX Finance)	Financial activities	100%	100%
LLC MICEX Cyprus (MICEX Cyprus)	Financial activities	100%	100%
PJSC PFTS Stock Exchange (PFTS SE)	Stock exchange operations	50,02%	50,02%
LLC ME Technology (former LLC E-Stock)	Technical support of exchange activities, IT services	100,00%	100,00%
CJSC National Mercantile Exchange (NAMEX)	Commodities exchange operations	61,90%	61,90%

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

NSD is the central securities depository of the Russian Federation. NSD is the Russian national numbering agency and the substitute numbering agency for the Commonwealth of Independent States (CIS), authorized to assign the international ISIN, CFI and pre-LEI codes. NSD holds licenses for depository, clearing and settlement operations issued by the Central Bank of Russia (CBR).

1. Organization (continued)

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

PFTS SE is a stock exchange, which had a stock exchange license in Ukraine and facilitates spot trading. As at September 23, 2015 the Group decided to sell its stake in PFTS SE, for details refer to Note 23.

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

DCC provided depository services. As at October 16, 2015 DCC was liquidated. The relevant record was made in the Unified State Register of Legal Entities. There was no effect on the Group, as all DCC's business operations and assets were transferred to NSD.

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

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

NAMEX is a commodity exchange operating in Russia.

Moscow Exchange and all subsidiaries are located in Russia, except for ETS, PFTS SE and MICEX (CYPRUS) LTD. ETS is located in Kazakhstan, PFTS SE is located in Ukraine and MICEX (CYPRUS) LTD is registered in Cyprus.

The Group has 1 599 employees as at December 31, 2015 (December 31, 2014: 1 636 employees).

2. Basis of Presentation

Statement of compliance

These Consolidated Financial Statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Basis of presentation

These Consolidated Financial Statements are presented in millions of Russian rubles, unless otherwise indicated. These Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value.

Moscow Exchange and its subsidiaries registered in the Russian Federation maintain their accounting records in accordance with Russian Accounting Standards ("RAS"). Foreign subsidiaries of the Group maintain their accounting records in accordance with the accounting standards of the countries in which they operate. These Consolidated Financial Statements have been prepared on basis of the statutory accounting records and have been adjusted to conform to IFRS.

2. Basis of Presentation (continued)

Inflation accounting

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

3. Significant Accounting Policies

Basis for consolidation

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

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

Business combinations

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

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

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

3. Significant Accounting Policies (continued)

Goodwill

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

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

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

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

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

Investments in associates

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

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

Recognition of revenue

Fee and Commission income

Fees and Commissions are recognized when services are provided.

Revenue for services provided over a period is recognized pro rata over the contractual term and consists of commission income on operations with long-term exchange instruments, listing fees, depositary fees, and other.

3. Significant Accounting Policies (continued)

Recognition of interest income

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position include cash on hand, unrestricted balances on correspondent and deposit accounts with banks with maturity up to one business day. Accrued interest on the above balances that is receivable in more than one business day is excluded from cash and cash equivalents the purpose of consolidated statement of cash flows. Amounts that are subject to restrictions on their availability, including minimum reserve deposits with the CBR, are not included in cash and cash equivalents.

Financial assets

The Group recognizes financial assets and liabilities in its Consolidated Statement of Financial Position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

3. Significant Accounting Policies (continued)

Financial assets (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend earned on the financial asset. Fair value is determined in the manner described in Note 31.

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- probability that the debtor will enter bankruptcy or financial reorganisation; or
- disappearance of an active market for that financial asset as a result of financial difficulties.

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

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

3. Significant Accounting Policies (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset.

If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Offsetting of financial assets

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

Central counterparty financial assets and liabilities

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

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

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

Receivables and payables under repurchase transactions (repo) are classified as loans and receivables and carried at amortised cost.

3. Significant Accounting Policies (continued)

Collateral of central counterparty

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

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

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

Financial liabilities and equity instruments issued

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities classified as “at FVTPL” include CCP financial liabilities and certain derivatives.

Other financial liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Distributions payable to holders of securities comprise dividends and coupon amounts received by the Group from the issuers of securities on behalf of customers of the Group, for which the Group also provides depository services. The normal settlement period for distribution of dividends and coupon amounts to its customers is three days. Amounts of dividends and coupons payable to clients are stated at their contractual values.

3. Significant Accounting Policies (continued)

Financial liabilities and equity instruments issued (continued)

Derecognition of financial liabilities

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

Precious metals

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

Property and equipment

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

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method:

Buildings and other real estate	2%
Furniture and equipment	20-33%

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

3. Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives at the annual rates of 10% - 25%. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is recognised on a straight-line basis at the annual rate of 4%. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally developed intangible assets

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

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

Derecognition of intangible assets

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

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Impairment of tangible and intangible assets

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

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

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

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

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

Assets classified as held for sale

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

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

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

3. Significant Accounting Policies (continued)

Taxation

Current income tax

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

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

Deferred tax

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

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

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

Operating taxes

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the Consolidated Statement of Profit or Loss.

Share-based payments

The Group grants the right to some employees to purchase equity instruments on the terms settled in individual contracts.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period (Note 11).

Provisions

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

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.

Fiduciary activities

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

Foreign currencies

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

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

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

Earnings per share

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

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating and financial results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As at December 31, 2015 and December 31, 2014, the Group comprised a single operating segment.

3. Significant Accounting Policies (continued)

Adoption of new and revised standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for reporting periods ending on December 31, 2015.

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 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 and 2011-2013 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.

3. Significant Accounting Policies (continued)

Adoption of new and revised standards (continued)

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 amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

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

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

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 16 Leases

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is currently assessing the impact of IFRS 16 on its consolidated financial statements.

3. Significant Accounting Policies (continued)

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

IFRS 15 Revenue from Contracts with Customers

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

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 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.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual improvements 2012-2014 Cycle

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

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

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

3. Significant Accounting Policies (continued)

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

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

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

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Key sources of estimation uncertainty

Impairment of receivables

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

The Group uses Management’s judgment to estimate the amount of any impairment loss in cases where the debtor has financial difficulties and there are few available sources of historical data relating to similar debtors. Similarly, the Group estimates changes in future cash flows based on past performance, past counterparty behavior, observable data indicating an adverse change in the payment status, and national or local economic conditions that correlate with defaults on assets in the group.

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

Key sources of estimation uncertainty (continued)

Impairment of receivables (continued)

As at December 31, 2015, the gross receivables totalled RUB 556,6 million (December 31, 2014: RUB 629,5 million) and allowance for impairment losses amounted to RUB 46,6 million (December 31, 2014: RUB 37,8 million) recognised within other assets in the statement of financial position.

Valuation of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 31.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

(in millions of Russian rubles, unless otherwise indicated)

5. Fee and Commission Income

	Year ended December 31, 2015	Year ended December 31, 2014
Foreign exchange	4 326,9	3 408,0
Money market	3 874,0	3 235,0
Depository and settlement services	3 464,6	3 188,6
Securities market	3 275,8	3 150,9
Derivatives	1 470,8	1 636,6
Information services	688,4	436,2
Sale of software and technical services	526,7	496,2
Other	156,8	34,5
Total fee and commission income	17 784,0	15 586,0

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

	Year ended December 31, 2015	Year ended December 31, 2014
Equities	1 641,9	1 765,7
Bonds	1 182,4	1 034,1
Listing and other service fees	451,5	351,1
Total fee and commission income from securities market	3 275,8	3 150,9

(in millions of Russian rubles, unless otherwise indicated)

6. Interest and Other Finance Income

	Year ended December 31, 2015	Year ended December 31, 2014
Income on securities at fair value through profit or loss		
Interest income	539,1	952,1
Net profit / (loss) on securities at fair value through profit or loss	70,4	(470,6)
Total income on securities at fair value through profit or loss	609,5	481,5
Interest income on financial assets other than at fair value through profit or loss		
Interest on cash and cash equivalents and due from financial institutions	14 510,4	7 597,4
Interest income on investments available-for-sale	11 930,1	5 910,8
Total interest income on financial assets other than at fair value through profit or loss	26 440,5	13 508,2
Total interest and other finance income	27 050,0	13 989,7

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

In the year ended December 31, 2015 the Group recognized a net loss on financial assets available-for-sale of RUB 280,7 million (year ended December 31, 2014: loss of RUB 1588,2 million). Interest income received on these bonds exceeded the losses realised on the sale of such securities.

8. Foreign Exchange Gains Less Losses

	Year ended December 31, 2015	Year ended December 31, 2014
Foreign exchange swaps	1 336,1	2 224,5
Net other foreign exchange gain	102,4	184,0
Total foreign exchange gains less losses	1 438,5	2 408,5

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

(in millions of Russian rubles, unless otherwise indicated)

9. Other operating income

	Year ended December 31, 2015	Year ended December 31, 2014
Advisory fee	70,0	83,4
Income from lease	12,8	18,5
Gain on sale of MICEX-IT	-	313,6
Revaluation of previously owned share in NAMEX	-	38,7
Bargain gain on acquisition of NAMEX	-	18,6
Other income	38,3	55,9
Total other operating income	121,1	528,7

On January 1, 2014, the Group obtained control over CJSC National Mercantile Exchange (NAMEX), which is a commodity exchange operating in Russia.

The Group recognised a gain of RUB 38,7 million as a result of remeasuring to fair value the equity interest in NAMEX held by the Group before the business combination.

10. Administrative and Other Operating Expenses

	Year ended December 31, 2015	Year ended December 31, 2014
Amortisation of intangible assets	1 207,2	1 094,8
Equipment and intangible assets maintenance	689,9	507,5
Depreciation of property and equipment	592,5	493,2
Professional services	504,6	337,1
Rent and office maintenance	483,9	435,1
Taxes, other than income tax	450,8	429,5
Market makers fees	352,4	363,4
Advertising and marketing costs	318,3	309,4
Registrar and foreign depositary services	238,9	279,0
Communication services	128,6	115,7
Payments/provisions for onerous contracts	114,9	173,2
Impairment related to assets held for sale (Note 23)	106,0	-
Business trip expenses	83,6	57,5
Security expenses	32,3	34,0
Charity	30,0	32,0
Loss on disposal of property, equipment and intangible assets	26,1	26,4
Impairment of other assets (Note 22)	19,3	10,5
Transport expenses	17,7	21,5
Impairment of goodwill and other intangible assets (Notes 20, 21)	-	209,8
Other	91,7	48,9
Total administrative and other operating expenses	5 488,7	4 978,5

During the year ended December 31, 2014 the Group recognised impairment of goodwill and other intangible assets related to the Ukrainian business at the amount of RUB 181,0 million and impairment of DCC intangible assets in the amount of RUB 28,8 million.

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

(in millions of Russian rubles, unless otherwise indicated)

11. Personnel Expenses

	Year ended December 31, 2015	Year ended December 31, 2014
Employees benefits except for share-based payments	4 708,3	4 452,5
Payroll related taxes	785,0	708,5
Share-based payment expense	289,9	233,8
Total personnel expenses	5 783,2	5 394,8

Rights to purchase equity instruments granted to some employees give to holders a choice either to only purchase the full number of shares at exercise price or also to sell back shares at the market price for the same ruble value. A majority of the rights vest when the employee continues to be employed by the Group at the vesting date. The maximum contractual term of the contracts is four years. The fair value of the rights is measured at the grant date using a binomial model taking into account the terms and conditions upon which the instruments were granted.

The following table illustrates the number and weighted average exercise prices (WAEP), and movements in rights to purchase equity instruments:

	Number	WAEP
Outstanding at 1 January 2014	43 323 724	47,53
Granted	500 000	60,64
Exercised	(4 791 769)	48,12
Forfeited	(133 334)	46,90
Expired	(6 041 264)	48,12
Outstanding at 31 December 2014	32 857 357	47,50
Granted	28 450 000	71,07
Exercised	(6 791 042)	47,01
Forfeited	(233 333)	46,90
Expired	(5 883 953)	47,01
Outstanding at 31 December 2015	48 399 029	61,49

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

The number of rights exercisable as at December 31, 2015 is 15 165 683 with WAEP of RUB 47,53 (December 31, 2014: 14 594 992 with WAEP of RUB 47,20).

The weighted average fair value of rights granted during the year ended December 31, 2015 was RUB 19,65 (December 31, 2014: RUB 19,98).

(in millions of Russian rubles, unless otherwise indicated)

11. Personnel Expenses (continued)

The range of exercise prices and weighted average remaining contractual life of rights are as follows:

	December 31, 2015		December 31, 2014	
Exercise price	Number outstanding	Weighted average remaining contractual life	Number outstanding	Weighted average remaining contractual life
46,9 - 62,0	19 949 029	0,17	32 857 357	0,51
62,0 - 77,0	23 200 000	1,30	-	-
77,0 - 92,0	5 250 000	1,95	-	-
	48 399 029	0,90	32 857 357	0,51

The following table lists the inputs to the models used:

Assumption	Value
Expected volatility	29,7%
Risk-free interest rate	10,7%
Weighted average share price, RUB	76,69
Dividend yield	6,7%

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

12. Income Tax

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

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

The tax rate used for the reconciliations between tax expense and accounting profit is the corporate tax rate of 20% payable by corporate entities in the Russian Federation on taxable profits under the tax law in that jurisdiction.

(in millions of Russian rubles, unless otherwise indicated)

12. Income Tax (continued)

Temporary differences comprise:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	December 31, 2015	December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Tax effect from deductible temporary differences				
Financial assets at fair value though profit or loss	6,5	31,1	(24,6)	21,6
Investments in associates and investments available-for-sale	-	1,7	1,7	(247,9)
Property and equipment and intangible assets	9,5	16,4	(6,9)	2,7
Assets held for sale	3,2	-	(0,2)	44,8
Other assets	11,1	9,0	5,1	(2,8)
Tax loss carried forward	12,1	119,8	(107,7)	72,8
Other liabilities	450,1	361,0	89,1	152,1
Total tax effect from deductible temporary differences	492,5	539,0	(43,5)	43,3
Tax effect from taxable temporary differences				
Cash and cash equivalents	-	(16,8)	16,8	(16,5)
Financial assets at fair value though profit or loss	-	(1,4)	1,4	6,1
Central counterparty financial assets	-	(3,7)	3,7	(3,6)
Investments in associates and investments available-for-sale	(1 777,5)	(611,3)	(614,2)	(603,8)
Property and equipment and intangible assets	(3 604,6)	(3 741,2)	136,6	158,3
Other assets	(11,1)	(6,8)	(4,3)	(6,1)
Other liabilities	(1,9)	(0,9)	(1,0)	0,8
Total tax effect from taxable temporary differences	(5 395,1)	(4 382,1)	(461,0)	(464,8)
Deferred tax expense			(504,5)	(421,5)
Deferred income tax assets	114,7	172,6		
Deferred income tax liabilities	(5 017,3)	(4 015,6)		

(in millions of Russian rubles, unless otherwise indicated)

12. Income Tax (continued)

Reconciliation of income tax expense and accounting profit for the year ended December 31, 2015 and 2014, are explained below:

	Year ended December 31, 2015	Year ended December 31, 2014
Profit before income tax	34 719,3	20 028,1
Tax at the statutory tax rate (20%)	6 943,9	4 005,6
Tax effect of income taxed at rates different from the prime rate	(279,1)	(145,8)
Non-deductible expenses for tax purposes	168,6	176,3
Write-off of deferred tax asset	32,4	-
Adjustments in respect of current income tax of previous years	1,4	15,4
Non-taxable gain on acquisition of subsidiary	-	(10,7)
Deferred tax from a previously unrecognised temporary difference of a prior period	-	(5,9)
Income tax expense	6 867,2	4 034,9
Current income tax expense	6 362,7	3 613,4
Deferred taxation movement due to origination and reversal of temporary differences	396,8	494,3
Deferred taxation movement due to tax losses carried forward	107,7	(72,8)
Income tax expense	6 867,2	4 034,9

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning of the year – deferred tax assets	172,6	186,6
Beginning of the year – deferred tax liabilities	(4 015,6)	(3 824,0)
Changes in deferred income tax balances recognised in other comprehensive income	(552,0)	232,4
Change in deferred income tax balances recognised in profit or loss	(504,5)	(421,5)
Effect of movements in exchange rates	(3,1)	3,0
Deferred income tax liabilities arising from business combinations	-	(19,5)
End of the year - deferred tax assets	114,7	172,6
End of the year - deferred tax liabilities	(5 017,3)	(4 015,6)

(in millions of Russian rubles, unless otherwise indicated)

13. Cash and Cash Equivalents

	December 31, 2015	December 31, 2014
Correspondent accounts and overnight deposits with banks	967 585,4	709 479,6
- Russian Federation	192 725,0	137 318,1
- Organization for Economic Cooperation and Development countries	773 680,9	571 850,6
- other countries	1 179,5	310,9
Balances with the CBR	25 021,7	454 292,3
Receivables on broker and clearing operations	79,6	-
Cash on hand	9,4	11,2
Total cash and cash equivalents	992 696,1	1 163 783,1
Accrued interest with maturity of more than 1 working day	(901,5)	-
Cash and cash equivalents attributable to Assets of disposal group held for sale	2,5	-
Cash and cash equivalents for the purpose of Consolidated Statement of Cash Flows	991 797,1	1 163 783,1

As at December 31, 2015, the Group has balances with fourteen counterparties each of which is greater than 10% of equity (December 31, 2014: thirteen counterparties). The total aggregate amount of these balances is 954 498,7 RUB million or 96% of total cash and cash equivalents as at December 31, 2015 (December 31, 2014: RUB 1 096 606,0 million or 94% of total cash and cash equivalents).

Guarantee and risk-covering funds (Note 24) are placed on current accounts with large OECD banks, the CBR and large Russian banks (Fitch credit rating not less than BBB).

For the purpose of Consolidated Statement of Cash Flows, cash and cash equivalents include cash and cash equivalents attributable to Assets of disposal group held for sale in the amount of RUB 2,5 million (December 31, 2014: null).

14. Financial Assets at Fair Value Through Profit or Loss

	December 31, 2015	December 31, 2014
Bonds issued by Russian Federation	0,4	11 383,7
Shares issued by Russian companies	-	58,3
Total financial assets at fair value through profit or loss	0,4	11 442,0

(in millions of Russian rubles, unless otherwise indicated)

15. Due from Financial Institutions and Margin account under reverse repo

	December 31, 2015	December 31, 2014
Reverse repo receivables from financial institutions	21 279,1	-
Interbank loans and term deposits	18 428,6	37 811,0
Correspondent accounts in precious metals	2 903,9	26,1
Mandatory cash balances with the CBR (restricted)	1 792,2	1 976,1
Receivables on broker and clearing operations	-	14,8
Total due from financial institutions	44 403,8	39 828,0

As at December 31, 2015, margin account under reverse repo in amount of RUB 417,7 million represents cash collateral received by the Group under reverse repo operations.

As at December 31, 2015, the fair value of bonds pledged under reverse repo was RUB 23 651,7 million. As at December 31, 2014, there were no short-term REPO receivables.

16. Central Counterparty Financial Assets and Liabilities

	December 31, 2015	December 31, 2014
Repo transactions	512 737,4	104 401,2
Currency transactions	5 771,9	35 208,6
Total central counterparty financial assets and liabilities	518 509,3	139 609,8

CCP financial assets are receivables under currency and repo transactions and CCP financial liabilities are payables under offsetting transactions, which the Group entered with market participants as a CCP.

The fair value of securities purchased and sold by the Group under repo transactions is RUB 573 201,4 million (December 31, 2014: RUB 122 730,4 million).

As at December 31, 2015 and 2014, none of these assets were past due.

CCP financial assets and liabilities under currency transactions represent fair values of overnight currency deals. Gross claims and liabilities with individual counterparties are offset in accordance with IAS 32. Information about financial assets offset against financial liabilities in the statement of financial position is disclosed in Note 34.

(in millions of Russian rubles, unless otherwise indicated)

17. Investments Available-for-Sale

	December 31, 2015	December 31, 2014
Bonds issued by Russian Federation	105 016,0	34 444,7
Bonds issued by Russian banks	23 840,2	20 087,5
Bonds issued by Russian companies	21 599,1	18 678,4
Bonds issued by foreign companies	15 060,3	7 660,0
Bonds issued by foreign banks	1 811,1	-
Shares issued by Russian companies	122,7	13,6
Shares issued by foreign companies	22,9	20,6
Bonds issued by Russian Federation subjects and Municipal bonds	-	45,5
Total investments available-for-sale	167 472,3	80 950,3

18. Investments in Associates

As at September 23, 2015 the meeting of the Supervisory Board was held, where the decision to sell the Group's stake in UEX was taken. The Group presented the investment in UEX as at December 31, 2015 as disposal group held for sale under IFRS 5 "Non-current assets held for sale and discontinued operations" (Note 23).

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

	December 31, 2014				
	Ownership interest	Principal place of business	Country of incorporation	Nature of activities	Carrying value
Public Joint-Stock Company "Ukrainian Exchange" (UEX)	43,08%	Ukraine	Ukraine	Stock exchange operations	46,1
Total investments in associates					46,1

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

	December 31, 2014		Year ended December 31, 2014	
	Assets	Liabilities	Revenue	Net profit
UEX	147,6	38,4	63,3	17,1

(in millions of Russian rubles, unless otherwise indicated)

19. Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Construction in progress	Total
Cost					
December 31, 2013	221,8	5 983,4	3 353,8	6,5	9 565,5
Additions	-	-	219,6	33,9	253,5
Disposals	-	-	(201,2)	-	(201,2)
Effect of movements in exchange rates	6,0	35,4	6,3	-	47,7
December 31, 2014	227,8	6 018,8	3 378,5	40,4	9 665,5
Additions	-	1,4	1 213,6	197,1	1 412,1
Reclassification	-	-	35,2	(35,2)	-
Transfer to other assets	-	-	-	(5,2)	(5,2)
Disposals	-	(0,8)	(214,1)	-	(214,9)
Reclassification to assets held for sale	-	(1,3)	(2,7)		(4,0)
Effect of movements in exchange rates	(5,8)	(34,9)	(6,9)	-	(47,6)
December 31, 2015	222,0	5 983,2	4 403,6	197,1	10 805,9
Accumulated depreciation					
December 31, 2013	-	993,3	2 309,8	-	3 303,1
Charge for the period	-	121,4	371,8	-	493,2
Disposals	-	-	(188,8)	-	(188,8)
Effect of movements in exchange rates	-	3,7	4,0	-	7,7
December 31, 2014	-	1 118,4	2 496,8	-	3 615,2
Charge for the period	-	121,7	470,8	-	592,5
Disposals	-	(0,8)	(184,0)	-	(184,8)
Reclassification to assets held for sale	-	(0,3)	(2,6)		(2,9)
Effect of movements in exchange rates	-	(4,4)	(5,5)	-	(9,9)
December 31, 2015	-	1 234,6	2 775,5	-	4 010,1
Net book value					
December 31, 2014	227,8	4 900,4	881,7	40,4	6 050,3
December 31, 2015	222,0	4 748,6	1 628,1	197,1	6 795,8

As at December 31, 2015, historical cost of fully depreciated property and equipment amounts to RUB 1 825,6 million (December 31, 2014: RUB 1 684,8 million).

(in millions of Russian rubles, unless otherwise indicated)

20. Intangible Assets

	Software and licenses	Client base	Assets under construction	Total
Cost				
December 31, 2013	1 877,4	19 503,6	48,7	21 429,7
Acquisition through business combination	-	103,1	-	103,1
Additions	485,0	-	45,4	530,4
Disposals	(100,8)	-	(6,7)	(107,5)
Effect of movements in exchange rates	(13,9)	-	-	(13,9)
December 31, 2014	2 247,7	19 606,7	87,4	21 941,8
Additions	902,0	-	188,9	1 090,9
Reclassification	44,0	-	(44,0)	-
Disposals	(281,9)	-	(3,3)	(285,2)
Reclassification to assets held for sale	(107,2)	-	-	(107,2)
Effect of movements in exchange rates	(18,4)	-	-	(18,4)
December 31, 2015	2 786,2	19 606,7	229,0	22 621,9
Accumulated amortisation and impairment				
December 31, 2013	674,6	1 972,5	-	2 647,1
Charge for the period	310,5	784,3	-	1 094,8
Disposals	(88,1)	-	-	(88,1)
Impairment (Note 10)	128,5	-	-	128,5
Effect of movements in exchange rates	9,2	-	-	9,2
December 31, 2014	1 034,7	2 756,8	-	3 791,5
Charge for the period	422,9	784,3	-	1 207,2
Disposals	(281,6)	-	-	(281,6)
Reclassification to assets held for sale	(106,6)	-	-	(106,6)
Effect of movements in exchange rates	(18,0)	-	-	(18,0)
December 31, 2015	1 051,4	3 541,1	-	4 592,5
Net book value				
December 31, 2014	1 213,0	16 849,9	87,4	18 150,3
December 31, 2015	1 734,8	16 065,6	229,0	18 029,4

(in millions of Russian rubles, unless otherwise indicated)

21. Goodwill

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning of the period	15 971,4	16 071,5
Effect of movements in exchange rates	-	(18,8)
Impairment (Note 10)	-	(81,3)
End of the period	15 971,4	15 971,4

Impairment Tests for Goodwill

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

As at December 31, 2015 the recoverable amount for the Group has been determined based on calculations of fair value less cost of disposal. Fair value is determined based on market capitalisation of the Group using quoted price on shares of the Group.

The resulted fair value less cost of disposal of the Group in amount of RUB 201 229,1 million exceeds the net carrying amount of its assets and liabilities.

22. Other Assets

	December 31, 2015	December 31, 2014
Other financial assets:		
Receivables on services rendered and other operations	556,6	629,5
Less allowance for impairment	(46,6)	(37,8)
Total other financial assets	510,0	591,7
Other non-financial assets:		
Precious metals	880,0	203,9
Prepaid expenses	272,8	231,4
Taxes receivable other than income tax	60,1	57,4
Non-current assets prepaid	47,6	369,9
Other	11,0	7,2
Total other assets	1 781,5	1 461,5

The movements in allowance for impairment of receivables on services rendered and other operations were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning of the year	37,8	29,1
Net charge for the period (Note 10)	19,3	10,5
Reclassification to assets held for sale	(1,2)	-
Write-offs	(9,3)	(1,8)
End of the year	46,6	37,8

(in millions of Russian rubles, unless otherwise indicated)

23. Disposal Group Held for Sale

As at June 29, 2015 the amendments to Ukrainian law # 222-VIII «On licensing of economic activities" came into force, which entitles the Ukrainian regulatory authorities to revoke the license of Ukrainian companies controlled or associated with the companies registered in the Russian Federation. The National Commission on Securities and Stock Market of Ukraine revoke the PFTS' and UEX' licenses in October and November 2015, accordingly. In February 2016 the licenses were returned to both entities.

As at September 23, 2015 the meeting of the Supervisory Board was held, where the decision to sell the Group's stake in UEX (Note 18) and PFTS was taken. The Group already received bids from potential buyers. The deal on sale of PFTS was completed in February 2016. The Group presented PFTS and UEX as at December 31, 2015 as disposal group held for sale under IFRS 5 "Non-current assets held for sale and discontinued operations".

During the year ended December 31, 2015 the Group recognised impairment related to assets held for sale in the amount of RUB 106,0 million within Administrative and Other Operating Expenses (Note 10). It consists of the impairment of due from financial institutions of PFTS in the amount of RUB 103,9 million and an impairment loss of RUB 2,1 million of the investment in UEX measured at fair value less cost to sell.

As at December 31, 2015 investment in UEX is presented in the amount of RUB 37,7 million.

The major classes of assets and liabilities of PFTS classified as held for sale as of the reporting date are presented below:

	December 31, 2015
Assets of the disposal group held for sale	
Cash and cash equivalents	2,5
Due from financial institutions	78,3
Property and equipment	1,1
Intangible assets	0,6
Other assets	2,3
Total assets of the disposal group held for sale	84,8
Liabilities of the disposal group held for sale	
Other liabilities	1,4
Total liabilities of the disposal group held for sale	1,4

The Group presented separately in equity reserves relating to disposal group held for sale in the amount of RUB 72,1 million that consist of the amounts recognised in other comprehensive income and accumulated in equity.

(in millions of Russian rubles, unless otherwise indicated)

24. Balances of Market Participants

	December 31, 2015	December 31, 2014
Accounts of clearing participants	1 047 510,2	1 165 525,4
Other current and settlement accounts	62 993,2	63 003,4
Risk-covering funds	4 810,2	3 240,4
Accounts in precious metals	3 783,9	229,9
Total balances of market participants	1 119 097,5	1 231 999,1

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

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

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

25. Other Liabilities

	December 31, 2015	December 31, 2014
Other financial liabilities		
Payables to employees	1 921,6	1 678,4
Trade and other payables	439,5	683,6
Total other financial liabilities	2 361,1	2 362,0
Other non-financial liabilities		
Deferred commission income	395,8	-
Advances received	241,7	259,0
Taxes payable, other than income tax	115,2	148,2
Provision for onerous contracts	-	173,2
Other	28,2	0,9
Total other liabilities	3 142,0	2 943,3

(in millions of Russian rubles, unless otherwise indicated)

26. Share Capital and Share Premium

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

	Authorized shares (number of shares)	Ordinary shares issued and fully paid (number of shares)	Treasury shares (number of shares)
December 31, 2013	2 578 200 000	2 378 489 153	(156 207 433)
Cancellation of treasury shares	-	(99 852 660)	99 852 660
Exercised options (Note 11)	-	-	4 791 769
December 31, 2014	2 578 200 000	2 278 636 493	(51 563 004)
Exercised options (Note 11)	-	-	6 791 042
December 31, 2015	2 578 200 000	2 278 636 493	(44 771 962)

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

In 2015 the Group distributed to employees 6 791 042 treasury shares under exercised share options (2014: 4 791 769 treasury shares) (Note 11).

27. Retained Earnings

During the year ended December 31, 2015, the Group paid dividends for the year ended December 31, 2014, to the owners of the parent of RUB 8 653,4 million (December 31, 2014: RUB 5 310,1 million). The amount of dividends per share for the year ended December 31, 2015, is RUB 3,87 per ordinary share (December 31, 2014: 2,39 per ordinary share).

The Group’s distributable reserves are limited to the amount of reserves reported in the statutory financial statements of the Group members. Non-distributable reserves comprise a reserve fund, which is created according to the statutory regulations, to cover risks, including future losses and other unforeseen risks and contingencies.

(in millions of Russian rubles, unless otherwise indicated)

28. Earnings per Share

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

	Year ended December 31, 2015	Year ended December 31, 2014
Net profit attributable to ordinary equity holders of the parent	27 908,8	16 041,5
Weighted average number of shares	2 230 088 919	2 225 687 215
Effect of dilutive share options	14 201 445	8 048 739
Weighted average number of shares adjusted for the effect of dilution	2 244 290 364	2 233 735 954
Basic earnings per share, RUB	12,51	7,21
Diluted earnings per share, RUB	12,44	7,18

29. Commitments and Contingencies

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

	December 31, 2015	December 31, 2014
Less than 1 year	169,9	284,6
More than 1 year and no more than 5 years	493,4	42,0
Over 5 years	-	1,1
Total operating lease commitments	663,3	327,7

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

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

In 2015, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries in 2014. The Rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. Russia's credit rating was downgraded by Fitch Ratings in 2015 to BBB-, whilst Standard & Poor's and Moody's Investors Service cut it to BB+ and Ba1 accordingly, putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

(in millions of Russian rubles, unless otherwise indicated)

29. Commitments and Contingencies (continued)

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

The Group's Management 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.

30. Transactions with Related Parties

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

(a) Transactions with key management

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

	Year ended December 31, 2015	Year ended December 31, 2014
Short-term employee benefits	430,4	381,3
Share-based payment expense	177,8	81,4
Long-term employee benefits	81,4	-
Total remuneration of key management personnel	689,6	462,7

(b) Transactions with government-related entities

The Central Bank of Russia sold an 11,7% stake in Moscow Exchange to the market on 2 July 2014. As the result of the sale, the entities controlled by the Russian Federation together hold less than 50% of voting shares of Moscow Exchange. Accordingly, as at December 31, 2015 the Russian Federation exercised significant influence over Moscow Exchange.

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

(in millions of Russian rubles, unless otherwise indicated)

30. Transactions with Related Parties (continued)

(c) Transactions with associates

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

	December 31, 2015	December 31, 2014
Assets held for sale (Note 23)	37,7	-
Investments in associates	-	46,1
Other assets	1,2	0,8
Other liabilities	0,3	0,3

As at September 23, 2015 the meeting of the Supervisory Board was held, where the decision to sell the Group's stake in UEX was taken. The Group presented the investment in UEX as at December,31 2015 as disposal group held for sale under IFRS 5 "Non-current assets held for sale and discontinued operations" (Note 23).

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

	Year ended December 31, 2015	Year ended December 31, 2014
Share of profits of associates	1,2	7,4
Fee and commission income and other operating income	2,8	1,8
Administrative and other operating expenses	(5,8)	(2,4)

31. Fair Value Measurements

The Group performs a fair value assessment of its financial assets and liabilities, as required by IFRS 13 Fair Value Measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

(in millions of Russian rubles, unless otherwise indicated)

31. Fair Value Measurements (continued)

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

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

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

The table below analyses financial assets and liabilities measured at fair value at December 31, 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value though profit or loss	0,4	-	-	0,4
Central counterparty financial assets and liabilities (currency transactions)	5 771,9	-	-	5 771,9
Investments available-for-sale	158 513,2	8 813,5	145,6	167 472,3

Financial assets and liabilities measured at fair value at December 31, 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value though profit or loss	11 383,7	-	58,3	11 442,0
Central counterparty financial assets and liabilities (currency transactions)	35 208,6	-	-	35 208,6
Investments available-for-sale	76 025,2	4 890,8	34,3	80 950,3

(in millions of Russian rubles, unless otherwise indicated)

31. Fair Value Measurements (continued)

The following table shows a reconciliation for year ended December 31, 2015 and December 31, 2014, for fair value measurements in Level 3 of the fair value hierarchy:

	FVTPL	AFS
Balance at December 31, 2013	63,0	87,1
Loss recognised in net loss on financial assets at fair value through profit or loss	(4,7)	-
Level 3 securities purchased	-	25,9
Level 3 securities sold	-	(78,6)
Loss recognized in net loss on financial assets available-for-sale	-	(2,0)
Foreign exchange gain	-	1,9
Balance at December 31, 2014	58,3	34,3
Loss recognised in net loss on financial assets at fair value through profit or loss	(58,3)	-
Level 3 securities purchased	-	114,2
Foreign exchange loss	-	(2,9)
Balance at December 31, 2015	-	145,6

Management of the Group considers that the fair value of financial assets and liabilities not carried at fair value in Consolidated Statement of Financial Position approximates their carrying value.

Transfers between level 1 and 2

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows total amount of transfers of financial assets between level 1 and level 2. Transfers from level 2 to level 1 (from level 1 to level 2) occurred due to fact that markets for certain financial assets became (ceased to be) active during the period.

	Transfers between Level 1 and Level 2	
	Year ended December 31, 2015	Year ended December 31, 2014
From Level 1 to Level 2		
Investments available-for-sale	4 545,1	2 191,4
From Level 2 to Level 1		
Investments available-for-sale	1 090,0	478,0

32. Capital Management

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

(in millions of Russian rubles, unless otherwise indicated)

32. Capital Management (continued)

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

The Group entities are subject to capital requirements established by the CBR in respect of the minimum amount of own funds for each entity depending on the nature of their activities. NSD and NCC as credit institutions have to maintain a ratio of capital to risk weighted assets (statutory capital ratio N1) above the prescribed minimum level, which is 10% for banks (NCC) and 12% for non-banking credit institutions (NSD).

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

	Own funds		Own funds requirements		Capital adequacy ratio	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Moscow Exchange	61 760,1	65 163,4	100,0	100,0	-	-
NCC	54 310,1	38 541,9	300,0	300,0	13,48	13,47
NSD	11 274,6	9 406,9	4 000,0	4 000,0	25,16	27,38
NAMEX	192,0	138,9	100,0	100,0	-	-
MICEX SE	1 789,3	1 771,0	100,0	100,0	-	-
DCC	-	1 322,8	-	15,0	-	-

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

33. Risk Management Policies

Risk management is an integral part of the Group's activities. Moscow Exchange Group distinguishes the following significant risks: credit, market, liquidity, operational, strategic, legal, compliance and reputational. Risk management core objectives include identification of sources of risks, measurement of risk levels, development of risk management policies and implementation of risk controls, including setting limits and further compliance with them.

A description of the Group's risk management policies in relation to each significant risk is as follows.

Liquidity risk

Liquidity risk is the risk of facing the situation where available funds are insufficient to meet current financial liabilities. The main purpose of liquidity management is to ensure Group's ability to perform its obligations not only under normal market conditions but also in cases of unforeseen emergencies without suffering unacceptable losses or risk of damaging its business reputation.

33. Risk Management Policies (continued)

Liquidity risk (continued)

Group’s liquidity management procedures cover various forms of liquidity risk:

- operating liquidity risk arising from the inability to timely meet its current obligations due to the existing structure of current cash credits and debits (operating analysis and control of liquidity);
- risk of mismatch between the amounts and dates of repayment of claims and obligations – analysis and assessment of prospective liquidity (GAP analysis);
- risk of unforeseen claims on liquidity, i.e. the consequences of the risk that unforeseen future events may claim more resources than allocated for this purpose (stress testing).

Liquidity risk management plays an important role in the whole risk management system and includes such procedures as: forecasting/monitoring payment flow and liquidity ratios, planning measures to recover the required liquidity level considering unfavourable and crisis situations, ensuring an optimal structure of assets in accordance with the resource base, taking into account the maturities of fund sources and their volumes when allocating assets to financial instruments.

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

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

The presentation below is based upon the information provided internally to key management personnel of the Group.

(in millions of Russian rubles, unless otherwise indicated)

33. Risk Management Policies (continued)

Liquidity risk (continued)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2015 Total
FINANCIAL ASSETS						
Cash and cash equivalents	992 696,1	-	-	-	-	992 696,1
Financial assets at fair value though profit or loss	0,4	-	-	-	-	0,4
Due from financial institutions	17 827,4	7,3	21 305,9	2 359,3	-	41 499,9
Central counterparty financial assets	518 509,3	-	-	-	-	518 509,3
Investments available-for-sale	151 789,4	4 793,4	7 056,2	3 687,7	145,6	167 472,3
Assets held for sale	83,1	-	-	-	-	83,1
Other financial assets	493,4	16,6	-	-	-	510,0
Total financial assets	1 681 399,1	4 817,3	28 362,1	6 047,0	145,6	1 720 771,1
FINANCIAL LIABILITIES						
Balances of market participants	1 115 313,6	-	-	-	-	1 115 313,6
Central counterparty financial liabilities	518 509,3	-	-	-	-	518 509,3
Distributions payable to holders of securities	6 138,4	-	-	-	-	6 138,4
Margin account under reverse repo	-	-	417,7	-	-	417,7
Liabilities related to assets held for sale	1,4	-	-	-	-	1,4
Other financial liabilities	204,3	1 731,1	297,5	128,2	-	2 361,1
Total financial liabilities	1 640 167,0	1 731,1	715,2	128,2	-	1 642 741,5
Liquidity gap	41 232,1	3 086,2	27 646,9	5 918,8	145,6	
Cumulative liquidity gap	41 232,1	44 318,3	71 965,2	77 884,0	78 029,6	

(in millions of Russian rubles, unless otherwise indicated)

33. Risk Management Policies (continued)

Liquidity risk (continued)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2014 Total
FINANCIAL ASSETS						
Cash and cash equivalents	1 163 783,1	-	-	-	-	1 163 783,1
Financial assets at fair value though profit or loss	11 383,7	-	-	-	58,3	11 442,0
Due from financial institutions	31 193,4	8 205,4	403,1	-	-	39 801,9
Central counterparty financial assets	139 609,8	-	-	-	-	139 609,8
Investments available-for-sale	77 278,6	1 481,4	2 156,0	-	34,3	80 950,3
Other assets	566,5	21,6	3,6	-	-	591,7
Total financial assets	1 423 815,1	9 708,4	2 562,7	-	92,6	1 436 178,8
FINANCIAL LIABILITIES						
Balances of market participants	1 231 769,2	-	-	-	-	1 231 769,2
Central counterparty financial liabilities	139 609,8	-	-	-	-	139 609,8
Distributions payable to holders of securities	6 353,0	-	-	-	-	6 353,0
Other liabilities	747,9	1 334,9	279,2	-	-	2 362,0
Total financial liabilities	1 378 479,9	1 334,9	279,2	-	-	1 380 094,0
Liquidity gap	45 335,2	8 373,5	2 283,5	-	92,6	
Cumulative liquidity gap	45 335,2	53 708,7	55 992,2	55 992,2	56 084,8	

(in millions of Russian rubles, unless otherwise indicated)

33. Risk Management Policies (continued)

Liquidity risk (continued)

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

The Group presents available-for-sale securities included in CBR Lombard list as matured in one month.

Interest rate risk

Interest rate risk is the risk of changes in interest income or the financial instruments price due to the interest rate changes.

The Group's result is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Interest margin may increase, decrease or lead to losses as a result of unexpected movements.

Management of the relevant Group entities is responsible for asset-liability management regarding relevant individual Group entities.

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

In order to measure the impact of interest rate risk on the fair value of financial instruments the Group conducts periodic assessments of potential losses, which may be triggered by negative changes in market environment. The Risk Management Department conducts periodic monitoring of the current financial results of the Group and its entities, assesses the sensitivity of the impact of interest rate risk on portfolio fair value and income.

The majority of the Group's transactions is represented by fixed income instruments, and hence the contractual maturity dates are also the dates of changes in interest rates.

The impact of changes in fair value of financial assets on the income, losses and equity is conducted based on the interest rates existing as at December 31, 2015 and December 31, 2014, and a reasonably possible changes of 150 bp (December 31, 2014: 570 bp) Corresponding negative and positive results shown on the yield curve are as follows:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Net profit	Equity	Net profit	Equity
150 bp parallel rise (December 31, 2014: 570 bp)	-	(2 941,6)	(287,0)	(2 501,4)
150 bp parallel fall (December 31, 2014: 570 bp)	-	3 036,0	302,3	2 391,0

Credit risk

The Group uses credit risk risk management approaches under requirements of the Russian regulators, based on the best international practices and standards. The Group's assets are exposed to credit risk, which is defined as the risk of losses resulting from a default or improper performance of their obligations to the Group by its counterparties.

33. Risk Management Policies (continued)

Credit risk (continued)

The goal of credit risk management is to timely define and efficiently evaluate the level of risk necessary to ensure sustainable growth determined by the Group's development strategy.

The objectives of the Group in credit risk management:

- implement a systemic and enhanced approach to optimize the structure of the assets in order to limit credit risk level;
- enhance the competitive advantages of the Group through implementation of more precise risk measures;
- maintain stability during the introduction of new complex products and services.

The Group controls credit risk by setting limits on a counterparty and groups of related counterparties. Credit risk limits are set on the basis of a comprehensive and in-depth evaluation of the counterparties financial conditions, analysis of the macroeconomic environment of counterparties' activities, the level of information transparency, business reputation and other financial and non-financial factors. The Group has developed and constantly improves an internal ratings system, providing a prudent assessment of its counterparties and the level of accepted credit risk.

Credit risk limits are approved by authorized bodies. Credit risk limits are monitored and reviewed on a regular basis. Also the Group constantly monitors the concentration of credit risk in compliance with applicable prudential requirements.

To reduce credit risk the Group applies specific requirements to the financial conditions of its counterparties and to the types and quality of collateral accepted by the Group. Accepted collateral includes liquid securities and cash contributions in Rubles and foreign currencies. Eligible types of collateral depend on the market and the type of exposure. To mitigate credit risk from its CCP activities the Group has introduced a multi-level default waterfall structure in compliance with the highest international standards and consisting of various lines of defence applicable in case of a clearing participant default.

Maximum credit risk exposure

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

As at December 31, 2015 included into other assets are overdue receivables of RUB 46,6 million (December 31, 2014: RUB 13,5 million).

Financial assets are classified according to the current credit ratings issued by international rating agencies (Fitch Ratings, Standard & Poor's and Moody's Investor Service). The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB-. Financial assets which have ratings lower than BBB- are classed as speculative grade.

As at December 31, 2015 and 2014, balances with the CBR are classified at the sovereign credit rating level of the Russian Federation.

Tables below do not include equity instruments.

(in millions of Russian rubles, unless otherwise indicated)

33. Risk Management Policies (continued)

Credit risk (continued)

The following table details the credit ratings of the financial assets held by the Group as at December 31, 2015 :

	AA	A	BBB	less **BBB**-	Not rated	December 31, 2015 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	322 913,8	291 319,1	53 164,3	325 281,5	8,0	992 686,7
Financial assets at fair value though profit or loss	-	-	0,4	-	-	0,4
Due from financial institutions	2 359,2	-	1 792,2	37 348,5	-	41 499,9
Central counterparty financial assets	-	-	395,5	336 650,3	181 463,5	518 509,3
Investments available-for-sale	-	-	89 895,8	77 430,9	-	167 326,7
Assets held for sale	-	-	-	80,8	2,3	83,1
Other financial assets	13,0	0,3	40,4	159,8	296,5	510,0

The following table details the credit ratings of financial assets held by the Group as at December 31, 2014:

	AA	A	BBB	less **BBB**-	Not rated	December 31, 2014 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	166 858,5	300 067,4	574 521,6	122 312,9	11,5	1 163 771,9
Financial assets at fair value though profit or loss	-	-	11 383,7	-	-	11 383,7
Due from financial institutions	415,6	-	21 559,1	17 649,3	177,9	39 801,9
Central counterparty financial assets	-	-	27 314,4	42 691,1	69 604,3	139 609,8
Investments available-for-sale	-	504,9	60 556,7	19 854,5	-	80 916,1
Other financial assets	10,8	0,8	188,6	51,1	340,4	591,7

Currency risk

Currency risk is the risk of changes in financial instruments value due to the exchange rates fluctuations. The financial state and cash flows of the Group are subject to the influence of such fluctuations. The main source of currency risk are open foreign currency positions.

NCC Bank being part of the Group is a CCP on the of FX market. The Bank limits currency risk on FX market through the application of the following instruments: mechanism of currency rates restrictions within trading session, trading limits system, margining system, mechanism of open currency positions assurance, DVP principle, special Bank of Russia swap facilities.

The Bank defines currency risk in the course of clearing arising from currency pairs volatility. In this regard for market risk management the Bank monitors the conditions of internal and external FX markets and sets limits on intraday rate fluctuations within trading sessions in accordance with current market environment.

(in millions of Russian rubles, unless otherwise indicated)

33. Risk Management Policies (continued)

Currency risk (continued)

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

	RUB	USD	EUR	Other currencies	December 31, 2015, Total
FINANCIAL ASSETS					
Cash and cash equivalents	67 758,3	412 940,1	509 343,9	2 653,8	992 696,1
Financial assets at fair value though profit or loss	0,4	-	-	-	0,4
Due from financial institutions	17 927,5	2 292,9	21 279,0	0,5	41 499,9
Central counterparty financial assets	440 808,5	77 527,8	173,0	-	518 509,3
Investments available-for-sale	120 393,1	44 355,6	2 720,3	3,3	167 472,3
Assets held for sale	-	0,3	-	82,8	83,1
Other financial assets	430,1	62,1	0,1	17,7	510,0
Total financial assets	647 317,9	537 178,8	533 516,3	2 758,1	1 720 771,1
FINANCIAL LIABILITIES					
Balances of market participants	122 773,7	457 349,6	532 556,4	2 633,9	1 115 313,6
Central counterparty financial liabilities	440 808,5	77 527,8	173,0	-	518 509,3
Distributions payable to holders of securities	5 112,2	1 021,0	5,0	0,2	6 138,4
Margin account under reverse repo	-	-	417,7	-	417,7
Liabilities related to assets held for sale	-	-	-	1,4	1,4
Other financial liabilities	2 257,8	33,1	46,3	23,9	2 361,1
Total financial liabilities	570 952,2	535 931,5	533 198,4	2 659,4	1 642 741,5
Open position	76 365,7	1 247,3	317,9	98,7	

(in millions of Russian rubles, unless otherwise indicated)

33. Risk Management Policies (continued)

Currency risk (continued)

	RUB	USD	EUR	Other currencies	December 31, 2014 Total
FINANCIAL ASSETS					
Cash and cash equivalents	172 077,3	650 659,7	338 296,3	2 749,8	1 163 783,1
Financial assets at fair value though profit or loss	11 442,0	-	-	-	11 442,0
Due from financial institutions	39 127,9	389,5	-	284,5	39 801,9
Central counterparty financial assets	139 609,8	-	-	-	139 609,8
Investments available-for-sale	61 587,3	19 356,1	1,3	5,6	80 950,3
Other financial assets	563,3	23,5	-	4,9	591,7
Total financial assets	424 407,6	670 428,8	338 297,6	3 044,8	1 436 178,8
FINANCIAL LIABILITIES					
Balances of market participants	222 405,1	668 939,0	337 689,0	2 736,1	1 231 769,2
Central counterparty financial liabilities	139 609,8	-	-	-	139 609,8
Distributions payable to holders of securities	5 680,9	672,1	-	-	6 353,0
Other financial liabilities	1 921,8	112,1	289,0	39,1	2 362,0
Total financial liabilities	369 617,6	669 723,2	337 978,0	2 775,2	1 380 094,0
Open position	54 790,0	705,6	319,6	269,6	

The following exchange rates are applied during the period:

	December 31, 2015		December 31, 2014	
	USD	EUR	USD	EUR
Minimum	49,1777	52,9087	32,6587	45,0559
Maximum	72,8827	81,1533	67,7851	84,5890
Average	61,3194	67,9915	38,6025	50,9928
Year-end	72,8827	79,6972	56,2584	68,3427

(in millions of Russian rubles, unless otherwise indicated)

33. Risk Management Policies (continued)

Currency risk (continued)

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at December 31, 2015 and December 31, 2014, and a reasonably possible changes of Russian Ruble to USD and Euro exchange rates is as follows:

	December 31, 2015		December 31, 2014	
	USD	EUR	USD	EUR
26% ruble appreciation	(259,5)	(66,1)	(146,8)	(66,5)
26% ruble depreciation	259,5	66,1	146,8	66,5

Geographical concentration

All assets of the Group consist of balances on operations in the Russian Federation, except for:

- Correspondent accounts and deposits with top OECD banks, which are reported in cash and cash equivalents (Note 13);
- Other deposits with top OECD banks, which are reported in balances due from financial institutions of as at December 31, 2015: RUB 2 359,2 million (December 31, 2014: RUB 415,6 million) (Note 15);
- Balances placed by PJSC PFTS Stock Exchange with one of the top Ukrainian banks that are reported in assets held for sale of RUB 2,5 million as at December 31, 2015 (December 31, 2014: reported in cash and cash equivalents of RUB 3,9 million) and in assets held for sale (December 31, 2014: due from financial institutions) of RUB 78,3 million as at December 31, 2015 (December 31, 2014: RUB 284,5 million);
- Balances placed by ETS with one of the top Kazakh banks that are reported in cash and cash equivalents of RUB 9,7 million as at December 31, 2015 (December 31, 2014: RUB 24,0 million) and in due from financial institutions of RUB 15,1 million as at December 31, 2015 (December 31, 2014: null).

Operational risk

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

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

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

33. Risk Management Policies (continued)

Operational risk (continued)

Operational risk management includes reputational, compliance and legal risks governance as well. Moreover, strategic risk (risk of non-achievement of strategic goals within certain deadline or resources) is also monitored and managed under the operational risk management framework.

Legal risk

Legal risk is associated with losses due to breaches of contractual obligations, trial, criminal and administrative liability of the group entities and/or their management in the performance of their official duties. Losses attributed to legal risk are recorded in risk events database along with operational risk losses.

Legal risk management procedures include:

- monitoring of legislation and internal procedures for compliance with the up-to-date requirements on a regular basis;
- setting quantitative and volume limits for legal claims and control over limits set;
- analysis of legal basis for all new products and services;
- update of internal regulations in order to prevent fines.

Compliance risk

Compliance risk is the risk of losses resulting from Group activities being inconsistent with the law, the Charter and internal regulations. Compliance risk is solely managed by Internal Control department that takes the following actions in order to prevent losses due to compliance risk realization:

- legislation monitoring;
- interaction with the regulatory authorities regarding the specifics of upcoming regulation;
- compliance risk identification in existing and planned internal procedures;
- best-practice analysis of internal control measures.

Reputational risk

Reputational risk is the risk of losses due to the negative public view on the operational (technical) stability of the Group, its service quality and business in general. In order to avoid such losses the Group constantly monitor its appearance in media along with internal processes using the methodology of assessment the impact of each event. The major source of reputational risk is realization of operational risk, specifically when it becomes public. Thus, all actions taken to prevent the Group from operational risk at the same time help to decrease the level of reputational risk.

(in millions of Russian rubles, unless otherwise indicated)

34. Offsetting of financial instruments

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

Direct and reverse repo transactions of CCP with individual counterparties are subject to clearing rules that create a contingent right of set-off that does not qualify for offsetting. Clearing participants are required to deposit collateral in the form of cash or securities for current deals and make contribution to a risk-covering fund, as described in Note 33. Clearing rules give the Group right to use these amounts under certain conditions (e.g. in case of default). However, offsetting criteria is not met as there is no intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Reverse repo transactions with financial institutions are subject to master agreement that gives the Group right to settle amounts relating to these transactions on a net basis under certain conditions (e.g. in case of default), but offsetting criteria is not met as there is no enforceable right to set off in the normal course of business.

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

	December 31, 2015			Related amounts not set off in the statement of the financial position		
	Gross claims	Gross liabilities	Net amount presented in financial statements	Financial instruments	Cash collateral received	Net amount
Due from financial institutions (Reverse repo receivables from financial institutions)	21 279,1	-	21 279,1	(21 279,1)	-	-
Central counterparty financial assets (repo transactions)	512 737,4	-	512 737,4	(512 737,4)	-	-
Central counterparty financial assets (currency transactions)	9 752,3	(3 980,4)	5 771,9	-	(5 771,9)	-
Central counterparty financial liabilities (repo transactions)	-	(512 737,4)	(512 737,4)	512 737,4	-	-
Central counterparty financial liabilities (currency transactions)	3 083,4	(8 855,3)	(5 771,9)	-	-	(5 771,9)
Margin account under reverse repo		(417,7)	(417,7)	-	-	(417,7)

(in millions of Russian rubles, unless otherwise indicated)

34. Offsetting of financial instruments (continued)

	December 31, 2014			Related amounts not set off in the statement of the financial position		
	Gross claims	Gross liabilities	Net amount presented in financial statements	Financial instruments	Cash collateral received	Net amount
Central counterparty financial assets (repo transactions)	104 401,2	-	104 401,2	(104 401,2)	-	-
Central counterparty financial assets (currency transactions)	55 522,6	(20 314,0)	35 208,6	-	(35 208,6)	-
Central counterparty financial liabilities (repo transactions)	-	(104 401,2)	(104 401,2)	104 401,2	-	-
Central counterparty financial liabilities (currency transactions)	6 103,6	(41 312,2)	(35 208,6)	-	-	(35 208,6)

35. Events after the reporting date

In February 2016 the Group sold its 50,02% stake in the subsidiary PJSC PFTS Stock Exchange and 19,99% in its associate Public Joint-Stock Company “Ukrainian Exchange”.

(in millions of Russian rubles, unless otherwise indicated)

Supplementary information – Fiduciary assets (unaudited)

	Fair value for shares / Par value for bonds	
	December 31, 2015	December 31, 2014
Corporate shares	13 837 101	11 126 646
Corporate bonds	7 044 479	5 911 379
Bonds issued by Russian Federation	4 987 085	4 693 164
Eurobonds	4 832 158	2 480 483
Bonds of RF subjects and municipal bodies	442 360	450 702
Units of mutual investment funds	180 593	280 993
Other financial assets	366 164	-
Total	31 689 940	24 943 367

The Group has insurance policies from Ingosstrakh Insurance Company. 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, 2014: USD 65 million).