Audit report on the financial statements
Closed Join Stock Company
Joint Stock Commercial Bank
National Clearing Centre
for the year ended 31 December 2014

March 2015

Translation of the original Russian version

Translation of the original Russian version

Contents

Independent auditor's report

Translation of the original Russian version

To Shareholder of closed joint stock company
joint stock commercial bank National Clearing Centre

Report on the financial statements

We have audited the accompanying financial statements of closed joint stock company joint stock commercial bank National Clearing Centre (hereafter – CJSC JSCB NCC), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 2014, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the annual financial statements

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

Auditor's responsibility

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

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

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

Translation of the original Russian version

Opinion

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

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

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

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

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

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

The results of our work are provided below.

Translation of the original Russian version

Compliance by CJSC JSCB NCC with the obligatory ratios established by the Bank of Russia

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

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

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

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

Translation of the original Russian version

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

E.V. ZAICHIKOVA
Partner
Ernst & Young Vneshaudit CJSC

20 March 2015

Details of the audited entity

Name: CJSC JSCB NCC
Record made in the State Register of Legal Entities 30 May 2006, State Registration Number 1067711004481.
Address: Russia 125009, Moscow, Bolshoi Kislovsky per., 13.

Details of the auditor

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

CJSC JSCB National Clearing Centre

Statement of comprehensive income

(in thousands of Russian rubles)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
Interest income	7	11 665 421	6 503 592
Interest expense	7	(745 066)	(286 193)
Net interest income		**10 920 355**	**6 217 399**
Fee and commission income	8	4 531 145	3 407 623
Net loss on financial assets available-for-sale		(1 412 398)	(456 720)
Net gain on foreign exchange operations	9	734 217	123 171
Other income		6 331	3 734
Operating Income		**14 779 650**	**9 295 207**
Personnel expenses	10	(548 407)	(428 272)
Administrative and other operating expenses	11	(642 780)	(1 029 826)
Profit before Tax		**13 588 463**	**7 837 109**
Income tax expense	12	(2 631 405)	(1 548 021)
Net Profit		**10 957 058**	**6 289 088**
Other comprehensive income that may be reclassified subsequently to profit or loss			
Revaluation of financial assets available-for-sale		(2 680 872)	(504 613)
Net loss on investments available-for sale reclassified to profit or loss		1 412 398	456 707
Deferred income tax		253 695	9 581
Other comprehensive loss that may be reclassified subsequently to profit or loss		**(1 014 779)**	**(38 325)**
Total comprehensive income		**9 942 279**	**6 250 763**

On behalf of the Management Board of the Bank

____

Chairman of the Management Board
Khavin Alexey Sergeevich

March 20, 2014
Moscow

____

Chief Accounting Officer
Gorina Marina Petrovna

March 20, 2014
Moscow

Notes 1-27 form an integral part of these financial statements.

Translation of the original Russian version

CJSC JSCB National Clearing Centre

Statement of financial position

(in thousands of Russian rubles)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Cash and cash equivalents	13	1 102 762 214	224 360 838
Mandatory cash balances with Central Bank of the Russian Federation		1 976 071	1 557 523
Due from banks and other financial institutions	14	31 735 799	20 463 655
Financial assets of central counterparty	15	139 609 774	47 008 536
Financial assets available-for-sale	16	85 901 298	66 927 404
Property and equipment and intangible assets	17	85 305	71 324
Deferred tax assets	12	-	16 122
Other assets	18	317 093	68 142
Total assets		**1 362 387 554**	**360 473 544**
LIABILITIES			
Customer accounts	19	1 183 376 384	284 339 914
Financial liabilities of central counterparty	15	139 609 774	47 008 536
Deferred tax liabilities	12	519 763	-
Current income tax liabilities		713 262	60 765
Other liabilities	20	533 382	221 861
Total liabilities		**1 324 752 565**	**331 631 076**
EQUITY			
Share capital	21	16 670 000	15 170 000
Paid-in capital	21	347 144	21 095
Investments revaluation reserve		(1 087 399)	(72 620)
Payments based on the shares of the parent company		32 187	12 363
Retained earnings		21 673 057	13 711 630
Total equity		**37 634 989**	**28 842 468**
Total liabilities and equity		**1 362 387 554**	**360 473 544**

Notes 1-27 form an integral part of these financial statements.

CJSC JSCB National Clearing Centre

Statement of cash flows

(in thousands of Russian rubles)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		13 588 463	7 837 109
Adjustments for:			
Loss from disposal of financial assets available-for-sale		1 412 398	456 720
Change in interest accruals, net		(261 098)	(423 826)
Unrealized loss / (gain) on foreign exchange operations		121 651	(36 617)
Other accruals		(12 167)	73 605
Depreciation and amortization charge	11	24 607	12 287
Payments based on the shares of the parent company	10	24 061	11 438
Impairment of other assets	11	-	22 685
Revaluation of derivatives		-	(5 042)
Cash flows from operating activities before changes in operating assets and liabilities		**14 897 915**	**7 948 359**
Changes in operating assets and liabilities:			
Mandatory cash balances with Central Bank of the Russian Federation		(418 548)	(1 487 919)
Financial assets at fair value though profit or loss		5 042	-
Due from banks and other financial institutions		(11 708 756)	(16 399 307)
Financial assets of central counterparty		(92 601 238)	(44 190 990)
Other assets		(39 263)	(70 579)
Customer accounts		612 948 040	78 151 485
Financial liabilities of central counterparty		92 601 238	44 190 990
Other liabilities		230 146	(75 527)
Net cash flows from operating activities before income tax		615 914 576	68 066 512
Income tax paid		(1 153 606)	(1 224 738)
Cash inflows from operating activities		**614 760 970**	**66 841 774**
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Purchase of financial assets available-for-sale		(83 887 989)	(81 518 685)
Proceeds from sale of financial assets available-for-sale		70 288 421	58 690 248
Purchase of property and equipment and intangible assets	17	(37 962)	(41 409)
Proceeds from redemption of financial assets held-to-maturity		-	520 069
Net cash flows used in investing activities		**(13 637 530)**	**(22 349 777)**

CJSC JSCB National Clearing Centre

Statement of cash flows

(in thousands of Russian rubles)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
Dividends paid		(2 999 868)	-
Proceeds from issue of ordinary shares	21	-	9 000 000
Cash flows from financing activities		**(2 999 868)**	**9 000 000**
Effect of changes in foreign exchange rates on cash and cash equivalents		280 277 804	12 693 913
Net increase in cash and cash equivalents		**878 401 376**	**66 185 910**
Cash and cash equivalents, beginning of the year	13	**224 360 838**	**158 174 928**
Cash and cash equivalents, end of the period	13	**1 102 762 214**	**224 360 838**

Interest paid and received for the year ended 31 December 2014, amounted to RUB 744 227 thousand and RUB 11 403 484 thousand respectively.

Interest paid and received for the year ended 31 December 2013 amounted to RUB 308 500 thousand and RUB 6 102 073 thousand, respectively.

Notes 1-27 form an integral part of these financial statements.

CJSC JSCB National Clearing Centre

Statement of changes in equity

(in thousands of Russian rubles)

	Notes	Share capital	Paid-in capital	Investments revaluation reserve	Payments based on the shares of the parent	Retained earnings	Total equity
December 31, 2012		**6 170 000**	**21 095**	**(34 295)**	**925**	**7 422 542**	**13 580 267**
Comprehensive income for the period		**-**	**-**	**(38 325)**	**-**	**6 289 088**	**6 250 763**
Transactions with owners							
Issue of shares		9 000 000	-	-	-	-	9 000 000
Payments based on the shares of the parent company	10	-	-	-	11 438	-	11 438
Total transactions with owners		**9 000 000**	**-**	**-**	**11 438**	**-**	**9 011 438**
December 31, 2013		**15 170 000**	**21 095**	**(72 620)**	**12 363**	**13 711 630**	**28 842 468**
Comprehensive income for the period		**-**	**-**	**(1 014 779)**	**-**	**10 957 058**	**9 942 279**
Transactions with owners							
Merger	6	1 500 000	326 049	-	-	-	1 826 049
Dividends declared		-	-	-	-	(2 999 868)	(2 999 868)
Payments based on the shares of the parent company	10	-	-	-	19 824	4 237	24 061
Total transactions with owners		**1 500 000**	**326 049**	**-**	**19 824**	**(2 995 631)**	**(1 149 758)**
December 31, 2014		**16 670 000**	**347 144**	**(1 087 399)**	**32 187**	**21 673 057**	**37 634 989**

1. Organization

CJSC JSCB National Clearing Centre (the "Bank") is a joint-stock bank, which was incorporated in the Russian Federation in 2006. The Bank is regulated by the Central Bank of the Russian Federation ("Bank of Russia") and conducts its banking and clearing activities under general license No.3466 and license No. 077-00003-000010, respectively.

The Bank is a member of Moscow Exchange Group and as at 31 December 2013 and 2014, 100% of the Bank's shares are held by OJSC Moscow Exchange MICEX-RTS ("Moscow Exchange").

The Bank specializes in providing clearing services, including determination and measurement of liabilities of clearing participants, setting off and settling them. The Bank also acts as a central counterparty on foreign exchange, securities and derivatives markets of the Moscow Exchange.

The registered office of the Bank is located at: 13, Bolshoy Kislovsky per., Moscow, 125009, Russian Federation.

2. Basis of presentation

Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including all Interpretations originated by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in thousands of Russian rubles ("RUB thousand"). These financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value.

The Bank maintains its accounting records in accordance with Russian Accounting Standards ("RAS"). These financial statements have been prepared from the Bank's statutory accounting records and have been adjusted to conform to IFRS. The main adjustments include recognition of deferred taxes and financial assets and liabilities of central counterparty.

3. Significant accounting policies

Recognition of revenue

Fee and commission income

Fee and commission income is recognized when services are provided.

Interest income recognition

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 used to discount estimated future cash payments or receipts to the net carrying amount of a financial asset.

3. Significant accounting policies (continued)

Recognition of revenue (continued)

Once a financial asset or a group of similar financial assets has been written down (partially written down) as a result of impairment, interest income is thereafter recognized by applying the interest rate 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 interest income and expense.

Financial instruments

Financial assets and liabilities are recognized in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. The Bank recognizes regular purchases and disposals of financial assets and liabilities using settlement date accounting.

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

Financial assets

Financial assets are classified into the following categories: financial assets "at fair value through profit or loss" (FVTPL); "held-to-maturity" (HTM); "available-for-sale" (AFS) 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.

Financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 24.

Investments held-to-maturity

Investments held-to-maturity are financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Investments held-to-maturity are measured at amortized cost using the effective interest method less any impairment.

If the Bank were to sell or reclassify more than an insignificant amount of investments held-to-maturity before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

3. Significant accounting policies (continued)

Financial assets (continued)

Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

After initial recognition available-for-sale financial assets are stated at fair value. Fair value is determined in the manner described in Note 24. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest income calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. If a financial asset is disposed of or is determined to be impaired, cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables

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

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 refusal or evasion from payments of interest or principal;
- Default or delinquency in interests or principal payments; or
- It becomes probable that the debtor will enter bankruptcy or financial reorganization; or
- Disappearance of an active market for that financial asset as a result of financial difficulties.

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

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When considered uncollectible, loans and receivables are written off against the allowance.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the CBR, unrestricted balances on correspondent and deposit accounts with banks with maturity up to one business day, and balances on the Bank's accounts on the organized securities markets ("OSM"). 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 and liabilities of central counterparty

The Bank acts as a central counterparty and guarantees settlement for transactions on foreign exchange, securities and derivatives markets. Assets and liabilities on such deals are recognized in the statement of financial position at the net fair value based on daily settlement prices, except for repo transactions, which are measured at amortized cost.

Collateral provided by central counterparty

The Bank guarantees settlement of certain traded contracts and applies a multi-level collateral system. The key component of this approach is daily determination of the overall risk per clearing participant (margin) that should be covered by collateral in the form of cash or securities.

In addition to such daily security deposits, a clearing participants, are required to make contributions to guarantee funds as described in Note 26.

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 at fair value through profit or loss (FVTPL) include some liabilities of central counterparty. Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognized in profit or loss.

3. Significant accounting policies (continued)

Financial liabilities (continued)

Other financial liabilities

Other financial liabilities, including customer accounts, other borrowed funds and other liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently recognized at amortized cost. Interest expense is recognized on an effective yield basis.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or expired. 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 or 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 impairment losses.

Useful lives of property and equipment

Depreciation is recognized so as to write off the cost or revalued amount of property and equipment less their residual value over their useful lives, using the straight-line method. The estimated useful lives, carrying amounts 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. Depreciation rate used in 2014: 20%-48% (2013: 20%-48%).

Intangible assets

Intangible assets with finite useful lives are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. Estimated useful lives and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimates being accounted for on a prospective basis. Amortization rates used for intangibles assets in 2014 were 10%-33% (2013: 10%-33%).

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

Taxation

Income tax expense comprises current and deferred tax.

Current income tax

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

3. Significant accounting policies (continued)

Taxation (continued)

Deferred tax

Deferred income tax is recognized for all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences provided it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Tax assets and liabilities are not recognized if temporary differences arise from the initial recognition of other assets or liabilities in transactions that affect neither taxable nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred income taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Operating taxes

The Russian Federation also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expense in the statement of comprehensive income.

Payments based on the shares of the parent company

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

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity within Share-based payments reserve, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense (Note 10).

Contingencies

Contingent liabilities are not recognized in the 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 statement of financial position but disclosed when an inflow of economic benefits is probable.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the Russian rubles at the appropriate spot rates prevailing at the reporting date. Transactions in currencies other than functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses from these translations are included in net gain on foreign exchange operations.

(in thousands of Russian rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Exchange rate

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

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

Equity reserves

Reserves recorded in equity (other comprehensive income) at the Bank's statement of financial position include investment revaluation reserve which comprises changes in fair values of AFS financial assets.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and benefits of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Acquisition of companies from parties under common control

Purchases of companies from parties under common control are accounted for using the pooling of interests method.

The assets and liabilities of the company transferred under common control are recorded at the carrying amounts from the consolidated financial statements of the transferring entity (the Predecessor) at the date of the transfer. Difference between the total book value of net assets and the consideration transferred is accounted for as an adjustment to the shareholders' equity.

Comparative information for previous years is not adjusted and results of acquiree are included into financial statements from the date when control was obtained.

Adoption of new and revised standards

In the current period, the Bank has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for reporting periods ending on December 31, 2014.

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

The Bank has adopted the following amended IFRS during the year:

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

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments had no impact on the Bank’s financial position.

.

3. Significant accounting policies (continued)

Adoption of new and revised standards (continued)

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and do not have any material impact on the Bank. 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.

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.

New and revised IFRSs in issue but not yet effective

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing of standards and interpretations issued are those that the Bank reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Bank 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 Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

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 2017 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

3. Significant accounting policies (continued)

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

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 Bank. They include:

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.

4. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Bank's accounting policies, Management should apply assumptions and estimates concerning carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are based on historical experience and other factors that are considered to be reasonable in certain circumstances. Actual outcomes may differ from these estimates.

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

Key sources of estimation uncertainty

Impairment of accounts receivable

The Bank regularly reviews its receivables to analyze them for impairment.

The Bank uses its judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of actual data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

As at 31 December 2014, the gross receivables totaled RUB 89 566 thousand (31 December 2013: RUB 28 900 thousand). Based on the impairment analysis, the Bank has created an allowance for impairment of receivables in amount of RUB 22 830 thousand (31 December 2013: 22 685).

(in thousands of Russian rubles, unless otherwise indicated)

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Valuation of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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 24.

5. Changes in presentation

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

	As previously reported	Reclassification of accounts in precious metals	As presented in this Report
Due from banks and other financial institutions	20 434 614	29 041	20 463 655
Other assets	97 183	(29 041)	68 142
Customer accounts	284 282 162	57 752	284 339 914
Other liabilities	279 613	(57 752)	221 861

6. Business combinations

In august 2014 merger of the Bank with CJSC Clearing Center RTS (CC RTS) and Non-banking Credit Organisation Settlement Chamber RTS CJSC (SC RTS) was finalized. Both organizations were 100% subsidiaries of Moscow Exchange.

Until December 2012 CC RTS provided clearing services for Derivatives Market and Securities Market (“Standard” sector) Sections of the Moscow Exchange Group. At the end of 2012 this line of business was transferred to NCC. SC RTS was a non-banking credit institution and had a licence to perform settlement services issued by the Bank of Russia. The merger was made following Moscow Exchange Group’s strategy to optimize its structure.

Merger was accounted for as a transaction under common control. Assets and liabilities of CC RTS and SC RTS were recorded at their carrying amounts from the consolidated financial statements of Moscow Exchange at the date of the transfer. Share capital of the Bank was increased by RUB 1 500 000 thousand as a result of issue of 1 500 000 thousand shares to Moscow Exchange. Difference between the total book value of net assets and nominal value of shares issued was accounted for as an increase in additional paid-in capital.

(in thousands of Russian rubles, unless otherwise indicated)

6. Business combinations (continued)

Comparative information for previous years was not adjusted and results of acquirees are included into financial statements from the date when control was obtained.

The following table details impact of merger of SC RTS on increase in net assets of the Bank:

ASSETS	
Cash and cash equivalents	1 000 807
Property and equipment and intangible assets	626
Deferred tax assets	35 722
Other assets	749
Total assets	**1 037 904**
LIABILITIES	
Customer accounts	86 528
Other liabilities	6 631
Total liabilities	**93 159**
Net identifiable assets	**944 745**

The following table details impact of merger of CC RTS on increase in net assets of the Bank:

ASSETS	
Cash and cash equivalents	881 582
Other assets	361
Total assets	**881 943**
LIABILITIES	
Other liabilities	639
Total liabilities	**639**
Net identifiable assets	**881 304**

Merger has not affected cash flows from financing activities in the Statement of Cash Flows due to fact that all Cash and cash equivalents of SC RTS and CC RTS were placed on the banking accounts with NCC on the date of merger.

7. Interest income and expense

	Year ended December 31, 2014	Year ended December 31, 2013
Interest income		
Interest income on financial assets available-for-sale	5 807 618	3 858 547
Interest income on cash and cash equivalents	3 537 769	1 987 452
Interest income on due from banks and other financial institutions	2 320 034	646 795
Interest income on financial assets held-to-maturity	-	10 798
Total interest income	**11 665 421**	**6 503 592**
Interest expense		
Interest expense on direct repo operations with Bank of Russia	(511 779)	-
Interest expense on term deposits	(233 287)	(286 193)
Total interest expense	**(745 066)**	**(286 193)**

(in thousands of Russian rubles, unless otherwise indicated)

8. Fee and commission income

	Year ended December 31, 2014	Year ended December 31, 2013
Clearing services for securities market ("Main market" sector)	3 045 530	2 326 090
Clearing services for foreign exchange market	1 442 945	1 041 364
Clearing services for securities market ("Standard" sector) and derivatives market	34 724	35 739
Other commissions	7 946	4 430
Total fee and commission income	**4 531 145**	**3 407 623**

9. Net gain on foreign exchange operations

	Year ended December 31, 2014	Year ended December 31, 2013
Foreign exchange swaps	723 125	120 975
Net other foreign exchange gain	11 092	2 196
Total net gain on foreign exchange operations	**734 217**	**123 171**

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

10. Personnel expenses

	Year ended December 31, 2014	Year ended December 31, 2013
Personnel expenses	459 760	362 725
Payroll taxes and charges	64 586	54 109
Payments based on the shares of the parent company	24 061	11 438
Total personnel expenses	**548 407**	**428 272**

(in thousands of Russian rubles, unless otherwise indicated)

11. Administrative and other operating expenses

	Year ended December 31, 2014	Year ended December 31, 2013
Information and technological services	257 562	601 277
Lease of property and equipment	90 610	90 962
Taxes, other than income tax	84 190	134 013
Settlement services and banks' fees	69 575	69 122
Professional services	44 309	44 266
Maintenance of property and equipment and intangible assets	28 120	20 865
Depreciation and amortization charge	24 607	12 287
Depository services	13 021	8 346
Communications services	6 396	4 093
Impairment of receivables	-	22 685
Other	24 390	21 910
Total administrative and other operating expenses	**642 780**	**1 029 826**

Expenses for information and technological services comprise the Bank's expenses paid to Moscow Exchange for the services required by the Bank to perform clearing operations.

12. Income tax expense

	Year ended December 31, 2014	Year ended December 31, 2013
Current income tax expense	1 806 103	1 488 298
Deferred income tax expense	825 302	59 723
Total income tax expense	**2 631 405**	**1 548 021**

The Bank calculates its income tax for the current period based on the tax accounts maintained and prepared in accordance with the requirements of the Russian tax legislation which may differ from IFRS.

As the certain expenses are not tax-deductible, it results in permanent tax differences. A reconciliation of the income tax expense based on the statutory rate with actual income tax is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Profit before income tax	**13 588 463**	**7 837 109**
Tax at the statutory tax rate (20%)	2 717 693	1 567 422
Tax effect of income taxed at rates other than the 20% rate	(100 541)	(29 840)
Tax effect of permanent differences	14 253	10 439
Income tax expense	**2 631 405**	**1 548 021**

Deferred taxes reflect 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 the difference between the accounting and tax base of certain assets.

(in thousands of Russian rubles, unless otherwise indicated)

12. Income tax expense (continued)

Tax effect of temporary differences as at 31 December 2014 and 2013, comprise:

	Statement of financial position		Recognized in profit or loss	
	December 31, 2014	**December 31, 2013**	**Year ended December 31, 2014**	**Year ended December 31, 2013**
Effect of deductible temporary differences				
Financial assets available-for-sale	-	5 570	(5 570)	(54 117)
Property and equipment and intangible assets	157	39	118	(41)
Other assets	4 801	4 707	94	4 536
Tax loss carried forward	101 376	-	65 654	-
Other liabilities	35 059	7 242	27 817	(12 101)
Total effect of deductible temporary differences	**141 393**	**17 558**	**88 113**	**(61 723)**
Effect of taxable temporary differences				
Cash and cash equivalents	(16 802)	(276)	(16 526)	(26)
Financial assets at fair value through profit or loss	-	(1 008)	1 008	-
Financial assets of central counterparty	(3 709)	(152)	(3 557)	3 024
Financial assets available-for-sale	(640 645)	-	(894 340)	
Financial assets held-to-maturity	-	-	-	10
Other assets	-	-	-	(1 008)
Total effect of taxable differences	**(661 156)**	**(1 436)**	**(913 415)**	**2 000**
Total deferred income tax expense			**(825 302)**	**(59 723)**
Deferred tax assets	**(519 763)**	**16 122**		

	Year ended December 31, 2014	**Year ended December 31, 2013**
Beginning of the period – deferred tax assets	**16 122**	**66 264**
Change in deferred tax recognized in profit or loss	(825 302)	(59 723)
Change in deferred tax recognized in other comprehensive income	253 695	9 581
Deferred income tax arising from business combinations (Note 6)	35 722	-
End of the period – deferred tax (liabilities) / assets	**(519 763)**	**16 122**

(in thousands of Russian rubles, unless otherwise indicated)

13. Cash and cash equivalents

	December 31, 2014	December 31, 2013
Correspondent accounts and overnight deposits with other credit organizations	703 246 543	219 042 142
Balances with Bank of Russia	399 510 238	5 316 660
Settlements on brokerage operations	107	560
Cash on hand	5 326	1 476
Total cash and cash equivalents	**1 102 762 214**	**224 360 838**

As at 31 December 2014, cash and cash equivalents include balances with two counterparties (31 December 2013: with four counterparties) in the amount of RUB 524 574 393 thousand (31 December 2013: RUB 152 811 087 thousand), which is a significant concentration.

14. Due from banks and other financial institutions

	December 31, 2014	December 31, 2013
Term deposits	31 709 715	20 115 331
Correspondent accounts in precious metals	26 084	29 041
Reverse repurchase agreements with financial institutions	-	319 283
Total due from banks and other financial institutions	**31 735 799**	**20 463 655**

As at 31 December 2013, the fair value of bonds pledged under reverse repurchase agreements with financial institutions was RUB 354 903 thousand.

15. Financial assets and liabilities of central counterparty

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

Assets from repo transactions represent amounts receivable under reverse repurchase agreements, and liabilities from repo transactions represent amounts payable under respective direct repurchase agreements entered by the Bank in its capacity of central counterparty ("CCP"). Fair value of securities pledged as collateral under repo transactions is RUB 122 730 390 thousand (31 December 2013: RUB 50 210 672 thousand).

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 27.

As at 31 December 2014, there was no allowance created for financial assets of central counterparty (31 December 2013: no allowance) and these financial assets were not overdue (31 December 2013: not overdue).

(in thousands of Russian rubles, unless otherwise indicated)

16. Financial assets available-for-sale

	December 31, 2014	December 31, 2013
Bonds issued by Russian Federation	39 708 107	22 422 160
Bonds issued by Russian commercial banks	22 276 097	16 419 470
Bonds issued by Russian companies	20 158 811	27 723 323
Bonds issued by Vnesheconombank	3 206 353	248 353
Bonds issued by international financial organizations	504 866	-
Bonds issued by Russian local governments	46 539	113 495
Corporate shares	525	603
Total investments available-for-sale	**85 901 298**	**66 927 404**

17. Property, equipment and intangible assets

	Furniture & Equipment	Intangible assets	Total
Cost			
December 31, 2012	**3 943**	**52 647**	**56 590**
Additions	8 656	32 753	41 409
Disposals	-	(152)	(152)
December 31, 2013	**12 599**	**85 248**	**97 847**
Additions	11 347	26 615	37 962
Merger (Note 6)	337	289	626
Disposals	-	(354)	(354)
December 31, 2014	**24 283**	**111 798**	**136 081**
Accumulated depreciation			
December 31, 2012	**2 950**	**11 438**	**14 388**
Charge for the period	1 399	10 888	12 287
Disposals	-	(152)	(152)
December 31, 2013	**4 349**	**22 174**	**26 523**
Charge for the period	5 647	18 960	24 607
Disposals	-	(354)	(354)
December 31, 2014	**9 996**	**40 780**	**50 776**
Net book value			
December 31, 2013	**8 250**	**63 074**	**71 324**
December 31, 2014	**14 287**	**71 018**	**85 305**

(in thousands of Russian rubles, unless otherwise indicated)

18. Other assets

	December 31, 2014	December 31, 2013
Other financial assets		
Receivables on services rendered	66 941	6 207
Receivables on transactions with securities	22 625	22 693
Fair value of foreign currency derivatives	-	5 042
Less allowance for impairment	(22 830)	(22 685)
Total other financial assets	**66 736**	**11 257**
Other non-financial assets		
Precious metals	203 866	28 711
Taxes receivable other than income tax	4 806	11 912
Prepayments and other receivables	41 685	16 262
Total other non-financial assets	**250 357**	**56 885**
Total other assets	**317 093**	**68 142**

19. Customer accounts

	December 31, 2014	December 31, 2013
Accounts of clearing participants	1 169 984 024	273 891 759
Current accounts	5 167 577	3 217 651
Term deposits	4 754 477	3 482 543
Financial stability fund	1 963 000	1 754 000
Insurance fund	1 194 306	1 230 184
Accounts in precious metals	229 950	57 752
Guarantee fund on OTC derivatives market	83 050	80 050
Risk-covering fund	-	625 975
Total customer accounts	**1 183 376 384**	**284 339 914**

Accounts of clearing participants include margins deposited by clearing participants to cover risks arising from open positions and to guarantee payment of commissions.

Guarantee funds (Insurance fund, Financial stability fund, Guarantee fund on OTC derivatives market) consist of collective clearing collateral contributed by clearing members. The purpose of these funds is to provide market participants with additional assurance of the Bank’s ability to guarantee proper settlements of open positions in case of a market participant default.

Clearing participants of the foreign exchange market that met certain requirements (including capital requirements) could become participants of the Risk-covering fund (the "Fund") which was formed by equal contributions from the Fund's participants. Based on the individual analysis, a limit was established for each participant of the Fund; within that limit, the participant could enter into transactions without preliminary depositing. During 2014 this Fund was disbanded. There is a plan to create in 2015 guarantee fund on foreign exchange market similar to those on other markets.

(in thousands of Russian rubles, unless otherwise indicated)

20. Other liabilities

	December 31, 2014	December 31, 2013
Other financial liabilities		
Payables to banks with revoked banking licences	319 023	5 237
Payables to personnel	154 401	122 414
Payables for information and technological services	25 327	70 818
Payables for unused vacations	18 773	4 975
Payables for support services	2 840	11 853
Other	11 320	5 673
Total other financial liabilities	**531 684**	**220 970**
Other non-financial liabilities		
Taxes payable, other than income tax	795	891
Other	903	-
Total other liabilities	**533 382**	**221 861**

21. Share capital and paid-in capital

As at 31 December 2014 the Bank's share capital consists of 16 670 000 issued and paid ordinary shares (31 December 2013: 15 170 000 shares) with the nominal value of RUB 1 thousand each.

In 2014 share capital of the Bank was increased by RUB 1 500 000 thousand as a result of issue of 1 500 000 thousand shares to Moscow Exchange as a part of merger with CC RTS and SC RTS (Note 6).

In 2013 share capital of the Bank was increased by RUB 9 000 000 thousand as a result of issue of 9 000 000 thousand shares acquired by Moscow Exchange.

Change of the number of shares outstanding for 2014 and 2013 is presented in the table below:

	Number of ordinary shares
December 31, 2013	**6 170 000**
Issue of ordinary shares	9 000 000
December 31, 2013	**15 170 000**
Merger (Note 6)	1 500 000
December 31, 2014	**16 670 000**

Paid-in capital in the amount of RUB 21 095 thousand as of December 31, 2013 represents the financial aid received by the Bank from the parent company, and is recognized at initial cost.

In 2014 paid-in capital was increased by RUB 326 049 thousand as a result of merger (Note 6).

The Bank's reserves distributable between the shareholders are limited by the amounts disclosed in its statutory RAS accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the regulations of the Russian Federation, to cover general banking risks, including future losses and other unforeseen risks or contingencies. As at 31 December 2014, the reserve fund amounted to RUB 966 775 thousand (31 December 2013: RUB 308 500 thousand).

(in thousands of Russian rubles, unless otherwise indicated)

22. Commitments and contingencies

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

	December 31, 2014	December 31, 2013
Less than 1 year	62 584	64 809

Legal proceedings – From time to time and in the normal course of business, claims against the Bank may be received from customers and counterparties. Management believes that no significant losses will be incurred by the Bank as a result of such complaints and accordingly no provisions have been made in these financial statements.

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

In 2014, the Russian economy was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Ruble, as well as sanctions imposed on Russia by several countries. In December 2014, the Ruble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%. Russia’s credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor’s cut it to BB+, putting it below investment grade for the first time in a decade. Moody’s Investors Service and Fitch Ratings still have Russia as investment grade. The Central Bank’s key interest rate decreased in February 2015 from 17,0% p.a. to 15,0%. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Bank’s future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Bank’s business in the current circumstances.

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

The Management's interpretation of such legislation as applied to its operations and activity may be challenged by the relevant regional and federal authorities. The tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

The Bank’s Management believes its interpretation of the relevant legislation is appropriate and that the tax positions of the Bank will be confirmed.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates.

The current Russian transfer pricing legislation allows the Russian tax authorities to apply transfer pricing adjustments and impose additional income tax liabilities in respect of all “controlled” transactions if the transaction price differs from the market price. The list of “controlled” transactions includes transactions with related parties (both domestic and cross-border transactions) and certain types of transactions with non-related parties that are treated as “controlled” transactions for Russian transfer pricing purposes.

(in thousands of Russian rubles, unless otherwise indicated)

22. Commitments and contingencies (continued)

The current Russian transfer pricing rules have considerably increased the compliance burden for the taxpayers compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. These rules are applicable not only to the transactions that took place in 2014 but also to the “controlled” transactions of prior tax periods if related income and expenses were recognized in 2014 (except for several types of transactions). Transactions with securities and derivatives are subject to the transfer pricing rules established by the Chapter 25 of Taxation Code of Russian Federation, which are also in force in respect to transactions with non-related parties and applicable to periods prior to coming into effect of transfer pricing legislation in Russia.

In 2014 the Bank didn’t have any “controlled” transactions. The Bank determined its tax liabilities arising from transactions with related parties using actual transaction prices, which comply with market prices per Bank evaluation.

Due to the uncertainty and absence of established practice of application of the current Russian transfer pricing legislation the Russian tax authorities may challenge the level of prices applied by the taxpayer under the “controlled” transactions and accrue additional tax liabilities unless the taxpayer is able to demonstrate the use of market prices with respect to the “controlled” transactions. Stipulated above negative consequences, as well as consequences from non-presentation to the tax authorities transfer pricing documentation are probable only if the tax authorities challenge the calculation of market prices’ thresholds and prove that the Bank had “controlled” transactions in 2014.

23. Transactions with related parties

a) Control relationships

As at 31 December 2014 and 2013, the Bank is a wholly owned subsidiary of Moscow Exchange. As at 31 December 2014 Russian Federation exercized significant influence over Moscow Exchange (31 December 2013: controlled).

b) Transactions with key management

Key management personnel comprises members of the Management 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.) and share-based payment expense.

	Year ended December 31, 2014	**Year ended December 31, 2013**
Short-term employee benefits, except for share-based payments	80 979	61 341
Share-based payment expense	12 419	6 380
Total remuneration of key management personnel	**93 398**	**67 721**

c) Transactions with government-related entities

The Bank considers government-related entities as related parties if Russian Federation has direct or indirect control and exercises significant influence over the entity. The Bank provides clearing, cash and settlement services to government-related entities, deposits funds with state banks and purchases bonds issued by the Russian Federation. Such entities provide to the Bank information and technological services and provide premises for rent.

(in thousands of Russian rubles, unless otherwise indicated)

24. Fair Value Measurements

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

Information on techniques applied by the Bank to measure fair value of financial instruments is as follows:

	December 31, 2014		
	Level 1	**Level 2**	**Total**
Central counterparty financial assets and liabilities	35 208 628	-	35 208 628
Investments available-for-sale	80 924 839	4 976 459	85 901 298

	December 31, 2013		
	Level 1	**Level 2**	**Total**
Financial assets at fair value though profit or loss	-	5 042	5 042
Central counterparty financial assets and liabilities	2 301 781	-	2 301 781
Investments available-for-sale	63 809 946	3 117 458	66 927 404

The Bank's Management considers that the fair value of all financial assets and liabilities approximates their carrying value.

25. Capital management

The Bank manages its capital to ensure that it will be able to continue to operate as a going concern and keep the required balance between ensuring financial stability in any economic environment, minimizing expenses of the market players and ensuring the return to stakeholders at a high level.

Issues related to the Bank's capital management are reviewed by the Supervisory Board. As part of this review, Supervisory Board in particular analyzes capital adequacy and risks associated with each class of capital. On the basis of recommendations of the Supervisory Board, the Bank adjusts its capital structure by dividend payments, additional issue of shares or repurchase of shares from active shareholders.

The Bank's general policy with respect the risks associated with capital management has not changed compared to 2013.

(in thousands of Russian rubles, unless otherwise indicated)

25. Capital management (continued)

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2014 and 2013, this minimum level was 10%. The Bank was in compliance with the statutory capital ratio during the years ended 31 December 2014 and 2013.

	December 31, 2014	December 31, 2013
Equity	38 542 136	28 818 131
Risk weighted assets	288 660 216	134 148 732
Capital adequacy ratio (H1)	**13,4%**	**21,5%**
Statutory ratio of capital adequacy	10%	10%

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

26. Risk management policies

Risk management is a material element of the Bank’s activities and is exercised with respect to the following main risks inherent in its operations: credit, market, geographic, currency, liquidity, interest rate and operational risks. The main objective of financial risk management is to determine and assess the risk zones and exposure, develop risk management policies, create risk controls, including setting of limits and further ensuring compliance with the established limits.

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. The Bank’s risk management policies are described below. Through the risk management framework, the Bank manages the following risks:

Credit risk

The Bank is exposed to credit risk, which is a risk that one party to the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Bank’s key methods of credit risk management are as follows:

- continuous analysis of receivables, credit risk-bearing financial assets as well as financial position of counterparties;
- setting limits with respect to counterparties and credit risk-bearing financial assets;
- continuous monitoring of indicators of exposure to credit risk (credit risk indicators).

The Bank assesses credit risks using credit risk indicators as well as professional judgment about the counterparty's financial position.

The Bank uses the following credit risk indicators:

- mandatory economic ratios established by the CBR for credit risk assessment;
- asset quality indicators developed in accordance with the CBR methodology for determining financial stability of credit institutions;
- the Bank's limits set with respect to counterparties and financial assets.

26. Risk management policies (continued)

Credit risk (continued)

Credit risks are directly managed by the Assets Management Committee, Treasury and Department of Risk Analysis and Control. The limits with respect to counterparties and financial assets are approved by the Bank's Management Board. The list of acceptable assets approved by the Bank's Management Board comprises assets with low credit risks and is limited to bonds issued by the Bank of Russia, bonds issued by the Russian Federation, bonds issued by the financially stable subjects of the Russian Federation and corporate bonds with high international credit ratings.

The Bank acts as a clearing center and a central counterparty to transactions entered into on the Moscow Exchange securities, money, foreign exchange and derivatives markets and therefore becomes a party of transactions entered into by participants in various segments of the financial market; all net liabilities of market participants are calculated with respect to the Bank. The Bank is responsible for its obligations to participants regardless of whether or not other participants perform their obligations.

To avoid the risk of default of clearing participants in respect of transactions not fully covered by collateral, clearing participants must deposit margins in the form of cash or securities on a regular basis prior to or during trading in the amounts set by the Bank for each participant. The amount of margin is determined by the amount of the Bank's potential losses resulting from closure of the participant's open positions if he fails to perform its obligations.

Each clearing participant of the derivatives market must contribute to the Insurance fund, of securities – to the Financial stability fund, of OTC derivatives market – to Guarantee fund on OTC derivatives market. These funds are formed to provide additional financial guarantees to market participants in case the market participant fails to perform its obligations.

Maximum exposure to credit risk

The Bank's maximum exposure to credit risk is equal to the carrying value of assets exposed to credit risk.

Credit risks are not significant for the Bank's activities as the Bank does not issue loans and guarantees, settlement documents of customers are executed only if the customers have positive balance of accounts with the Bank, and customer accounts and own funds denominated in Russian rubles are held only on accounts with banks with high credit ratings.

Financial assets are graded according to the current credit rating that has been issued by an internationally recognized rating agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB-. Financial assets which have ratings lower than BBB- are classed as speculative grade.

Cash and cash equivalents (Note 13) include accounts with Non-Banking Credit Organization Closed Joint-stock Company National Settlement Depository ("NSD") of RUB 75 790 788 thousand (31 December 2013: RUB 23 556 999 thousand). NSD has not been rated by the above-mentioned rating agencies, however the company was rated by Thomas Murray, which is a rating agency specializing in assigning ratings to custodians. As at 31 December 2014, NSD had AA- rating (31 December 2013: AA-) which corresponds to the low risk level.

(in thousands of Russian rubles, unless otherwise indicated)

26. Risk management policies (continued)

Credit risk (continued)

The following tables detail the credit ratings of financial assets held by the Bank as at 31 December 2014 and 2013:

	AA	A	BBB	less BBB-	Not rated	December 31, 2014 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	107 525 532	283 493 054	513 859 517	122 087 586	75 791 199	**1 102 756 888**
Mandatory cash balances with Central Bank of the Russian Federation	-	-	1 976 071	-	-	**1 976 071**
Due from financial institutions	-	-	16 615 263	15 094 452	-	**31 709 715**
Central counterparty financial assets	-	-	27 314 386	42 691 101	69 604 287	**139 609 774**
Investments available-for-sale	-	504 866	65 852 239	19 543 668	525	**85 901 298**
Other financial assets	-	-	5 420	3	61 313	**66 736**

	AA	A	BBB	less BBB-	Not rated	December 31, 2013 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	305	114 492 391	86 052 365	156 283	23 658 018	**224 359 362**
Mandatory cash balances with Central Bank of the Russian Federation	-	-	1 557 523	-	-	**1 557 523**
Due from financial institutions	5 001 218	-	15 114 112	319 284	-	**20 434 614**
Central counterparty financial assets	-	-	4 560 873	3 444 162	39 003 501	**47 008 536**
Investments available-for-sale	-	-	46 616 775	20 310 026	603	**66 927 404**
Other financial assets	-	-	9 861	-	1 396	**11 257**

The Bank makes a decision to create an impairment allowance based on the analysis of financial position of its counterparties and maturities of financial assets.

(in thousands of Russian rubles, unless otherwise indicated)

26. Risk management policies (continued)

Geographical concentration

Geographical concentration of assets and liabilities is as follows:

	Russian Federation	OECD countries	Other	December 31, 2014 Total
Financial assets				
Cash and cash equivalents	606 545 252	495 973 940	243 022	1 102 762 214
Mandatory cash balances with Central Bank of the Russian Federation	1 976 071	-	-	1 976 071
Due from financial institutions	31 709 715	-	-	31 709 715
Central counterparty financial assets	139 609 774	-	-	139 609 774
Investments available-for-sale	85 395 907	525	504 866	85 901 298
Other financial assets	66 736	-	-	66 736
Total financial assets	**865 303 455**	**495 974 465**	**747 888**	**1 362 025 808**
Financial liabilities				
Customer accounts	1 182 580 630	-	565 804	1 183 146 434
Central counterparty financial liabilities	139 609 774	-	-	139 609 774
Other financial liabilities	531 684	-	-	531 684
Total financial liabilities	**1 322 722 088**	**-**	**565 804**	**1 323 287 892**

	Russian Federation	OECD countries	Other	December 31, 2013 Total
Financial assets				
Cash and cash equivalents	79 199 165	145 150 032	11 641	224 360 838
Mandatory cash balances with Central Bank of the Russian Federation	1 557 523	-	-	1 557 523
Due from financial institutions	15 114 112	5 001 218	319 284	20 434 614
Central counterparty financial assets	47 008 536	-	-	47 008 536
Investments available-for-sale	66 926 801	603	-	66 927 404
Other financial assets	11 257	-	-	11 257
Total financial assets	**209 817 394**	**150 151 853**	**330 925**	**360 300 172**
Financial liabilities				
Customer accounts	284 231 958	-	50 204	284 282 162
Central counterparty financial liabilities	47 008 536	-	-	47 008 536
Other financial liabilities	220 970	-	-	220 970
Total financial liabilities	**331 461 464**	**-**	**50 204**	**331 511 668**

26. Risk management policies (continued)

Liquidity risk

Liquidity risk is the risk of encountering difficulty in raising funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk arises when maturities of assets and liabilities do not match. The Bank is exposed to the risk due to its daily calls on available cash resources for settlements of market participants.

Liquidity risk management includes developing day-to-day liquidity management techniques as well as assessing and monitoring liquidity risk.

The key methods and techniques of liquidity risk management are as follows:

- Building the optimal structure of assets which helps to maintain the target profitability of assets and equity while minimizing the risk of failure by the Bank to fulfill its obligations;
- Performing quantitative assessment of liquidity risk and using the system of liquidity risk indicators;
- Setting limits with respect to operations or counterparties, which are balanced according to the asset operations funding timelines;
- Establishing efficient mechanisms to support payment positions with respect to the Bank's correspondent accounts;
- Cash flows forecasting.

Forecasts are prepared with a breakdown by maturities or expected dates of asset disposal. Forecasts take into account risk of late settlement of assets as well as potential need for their early disposal in order to support the payment positions with respect to the Bank's correspondent accounts.

The Bank maintains the required and sufficient amount of highly liquid assets: cash, balances on correspondent accounts with the Bank of Russia and other credit institutions, government securities and other highly liquid debt securities. While managing liabilities, the Bank considers the possibility of raising interbank loans for day-to-day liquidity management and increasing equity through strategic liquidity management.

The Bank assesses its liquidity risk exposure based on the following liquidity risk indicators:

- Mandatory liquidity ratios established by the Bank of Russia;
- Parameters of payment positions with respect to NOSTRO correspondent accounts;
- Liquidity indicators developed in accordance with Bank of Russia methodologies for determining financial sustainability of credit institutions and analyzing liquidity of credit institutions.

Current liquidity management is carried out by the Treasury Department, which trades on the money markets to support liquidity and optimize cash flows. The Asset Management Committee and the Risk Management Department control the liquidity risk by analyzing the risk indicators, develop the strategy of asset operations and manage medium and long term liquidity.

(in thousands of Russian rubles, unless otherwise indicated)

26. Risk management policies (continued)

Liquidity risk (continued)

An analysis of liquidity risk is presented in the following table. The presentation below is based on information provided to the Bank's key management. As at 31 December 2014 and 2013, financial assets available-for-sale, which are included into the Bank of Russia's Lombard list are presented within the category "Up to 1 month".

	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**Maturity undefined**	**December 31, 2014 Total**
Financial assets					
Cash and cash equivalents	1 102 762 214	-	-	-	1 102 762 214
Mandatory cash balances with Central Bank of the Russian Federation	-	-	-	1 976 071	1 976 071
Due from financial institutions	26 144 945	5 564 770	-	-	31 709 715
Central counterparty financial assets	139 609 774	-	-	-	139 609 774
Investments available-for-sale	82 744 671	1 481 275	1 674 827	525	85 901 298
Other financial assets	66 736	-	-	-	66 736
Total financial assets	**1 351 328 340**	**7 046 045**	**1 674 827**	**1 976 596**	**1 362 025 808**
Financial liabilities					
Customer accounts	1 182 772 079	323 153	51 202	-	1 183 146 434
Central counterparty financial liabilities	139 609 774	-	-	-	139 609 774
Other financial liabilities	31 925	181 261	318 498	-	531 684
Total financial liabilities	**1 322 413 778**	**504 414**	**369 700**	**-**	**1 323 287 892**
Liquidity gap	**28 914 562**	**6 541 631**	**1 305 127**	**1 976 596**	
Cumulative liquidity gap	**28 914 562**	**35 456 193**	**36 761 320**	**38 737 916**	

	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Maturity undefined**	**December 31, 2013 Total**
Financial assets						
Cash and cash equivalents	224 360 838	-	-	-	-	224 360 838
Mandatory cash balances with Central Bank of the Russian Federation	-	-	-	-	1 557 523	1 557 523
Due from financial institutions	15 393 686	5 040 928	-	-	-	20 434 614
Central counterparty financial assets	47 008 536	-	-	-	-	47 008 536
Investments available-for-sale	50 845 814	973 050	9 980 316	5 127 621	603	66 927 404
Other financial assets	11 257	-	-	-	-	11 257
Total financial assets	**337 620 131**	**6 013 978**	**9 980 316**	**5 127 621**	**1 558 126**	**360 300 172**
Financial liabilities						
Customer accounts	283 685 109	30 494	566 559	-	-	284 282 162
Central counterparty financial liabilities	47 008 536	-	-	-	-	47 008 536
Other financial liabilities	91 832	122 416	6 722	-	-	220 970
Total financial liabilities	**330 785 477**	**152 910**	**573 281**	**-**	**-**	**331 511 668**
Liquidity gap	**6 834 654**	**5 861 068**	**9 407 035**	**5 127 621**	**1 558 126**	
Cumulative liquidity gap	**6 834 654**	**12 695 722**	**22 102 757**	**27 230 378**	**28 788 504**	

(in thousands of Russian rubles, unless otherwise indicated)

26. Risk management policies (continued)

Liquidity risk (continued)

The following tables detail a contractual maturity analysis of the Bank's financial liabilities with fixed maturities. The tables present undiscounted cash flows of the Bank's financial liabilities based on the earliest date on which the Bank can be required to pay. The tables include both interest and principal cash flows.

	Up to 1 month	1 month to 3 months	3 months to 1 year	December 31, 2014 Total
Financial liabilities				
Customer accounts	1 182 801 798	327 937	51 341	1 183 181 076
Central counterparty financial liabilities	139 609 774	-	-	139 609 774
Other financial liabilities	31 925	181 261	318 498	531 684
Total financial liabilities	**1 322 443 497**	**509 198**	**369 839**	**1 323 322 534**

	Up to 1 month	1 month to 3 months	3 months to 1 year	December 31, 2013 Total
Financial liabilities				
Customer accounts	283 698 797	30 333	571 570	284 300 700
Central counterparty financial liabilities	47 008 536	-	-	47 008 536
Other financial liabilities	91 832	122 416	6 722	220 970
Total financial liabilities	**330 799 165**	**152 749**	**578 292**	**331 530 206**

(in thousands of Russian rubles, unless otherwise indicated)

26. Risk management policies (continued)

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Bank's income or the value of its portfolios of financial instruments.

The Bank's assets measured at fair value, and which are sensitive to changes in market interest rates consist of the portfolio of financial assets available-for-sale.

Limits with respect to financial assets are approved by the Bank's Management Board. The list of acceptable assets with regard to investments in bonds, which is approved by the Bank's Supervisory Board, is limited to bonds issued by the Bank of Russia, bonds issued by the Russian Federation, bonds issued by subjects of the Russian Federation and corporate bonds with high international credit ratings.

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Risk Analysis and Control monitors the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank’s profitability.

As the majority of the Bank's financial instruments are fixed rate contracts, their contractual maturity dates are also their repricing dates.

The sensitivity analysis presented below has been performed based on the risk of interest rate fluctuations as at the reporting date. The estimation is based on the assumption that the interest rate will change by 570 bp (31 December 2013: 100 bp) which is in line with the Management's expectations with regard to a reasonably possible change in interest rates.

	December 31, 2014		December 31, 2013	
	Net profit	**Equity**	**Net profit**	**Equity**
570 bp parallel rise (December 31, 2013: 100 bp)	-	(2 352 493)	-	(495 946)
570 bp parallel fall (December 31, 2013: 100 bp)	-	2 366 529	-	503 836

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank is a specific participant of the foreign exchange market; as a central counterparty on the foreign exchange market, it participates in transactions in a passive mode. The methods used to mitigate the Bank’s currency risk include exchange rate limits with respect to foreign exchange trading, a system of trading limits, margin system (through preliminary depositing of cash collateral by market participants), controlling over collateral of open trading positions, "delivery versus payment" principle, and replacement of dishonest clearing participants by the Bank of Russia.

While clearing transactions with foreign currencies, the Bank’s market risks are mainly dependent on the volatility of currency pairs. Therefore, in order to manage market risk the Bank monitors the condition of the domestic and foreign currency markets and sets the limits of daily exchange rate fluctuations during trading in accordance with the market situation. Based on the set (and coordinated with the Bank of Russia) limits on cross-rate fluctuations for each currency pair and each instrument, the Bank calculates the margin requirement, i.e. the amount of cash as a percentage of the planned volume of transactions to be transferred by the participants to enable them to enter into transactions during trading. The Management Board of the Bank, as agreed with the Bank of Russia, sets parameters of the Moscow Exchange foreign exchange market, which determine exchange rate limits for trading instruments and margin requirements.

Another mechanism for mitigating the Bank’s exposure to market risk arising from failure of participants to settle obligations resulted from clearing is an additional trading session with the Bank of Russia which allows to eliminate a participant's failure to deliver assets.

(in thousands of Russian rubles, unless otherwise indicated)

26. Risk management policies (continued)

Currency risk (continued)

The Bank's exposure to currency risk is as follows:

	RUB	USD	EUR	Other currencies	December 31, 2014 Total
Financial assets					
Cash and cash equivalents	143 302 235	620 509 112	336 222 144	2 728 723	1 102 762 214
Mandatory cash balances with Central Bank of the Russian Federation	1 976 071	-	-	-	1 976 071
Due from financial institutions	31 709 715	-	-	-	31 709 715
Central counterparty financial assets	139 609 774	-	-	-	139 609 774
Investments available-for-sale	66 388 803	19 511 970	525	-	85 901 298
Other financial assets	66 736	-	-	-	66 736
Total financial assets	**383 053 334**	**640 021 082**	**336 222 669**	**2 728 723**	**1 362 025 808**
Financial liabilities					
Customer accounts	205 376 234	639 338 345	335 705 122	2 726 733	1 183 146 434
Central counterparty financial liabilities	139 609 774	-	-	-	139 609 774
Other financial liabilities	212 275	47 035	272 371	3	531 684
Total financial liabilities	**345 198 283**	**639 385 380**	**335 977 493**	**2 726 736**	**1 323 287 892**
Open position	**37 855 051**	**635 702**	**245 176**	**1 987**	

	RUB	USD	EUR	Other currencies	December 31, 2013 Total
Financial assets					
Cash and cash equivalents	35 167 321	118 151 866	70 930 567	111 084	224 360 838
Mandatory cash balances with Central Bank of the Russian Federation	1 557 523	-	-	-	1 557 523
Due from financial institutions	15 114 112	5 320 502	-	-	20 434 614
Central counterparty financial assets	47 008 536	-	-	-	47 008 536
Investments available-for-sale	56 898 476	10 028 325	603	-	66 927 404
Other financial assets	11 257	-	-	-	11 257
Total financial assets	**155 757 225**	**133 500 693**	**70 931 170**	**111 084**	**360 300 172**
Financial liabilities					
Customer accounts	81 313 873	131 932 855	70 924 852	110 582	284 282 162
Central counterparty financial liabilities	47 008 536	-	-	-	47 008 536
Other financial liabilities	215 733	5 237	-	-	220 970
Total financial liabilities	**128 538 142**	**131 938 092**	**70 924 852**	**110 582**	**331 511 668**
Derivatives	1 480 029	(1 480 029)	-	-	-
Open position	**28 699 112**	**82 572**	**6 318**	**502**	

(in thousands of Russian rubles, unless otherwise indicated)

26. Risk management policies (continued)

Currency risk sensitivity

The following table details the Bank's sensitivity to a 26% (31 December 2013: 10%) increase and decrease in the Russian ruble exchange rate against relevant foreign currencies. 26% (31 December 2013: 10%) is the sensitivity rate represents Bank's assessment of the reasonably possible change in foreign exchange rates.

	December 31, 2014		**December 31, 2013**	
	USD	**EUR**	**USD**	**EUR**
	26%	**26%**	**10%**	**10%**
26% ruble appreciation (December 31, 2014: 10%)	(130 795)	(50 445)	(6 606)	(505)
26% ruble depreciation (December 31, 2014: 10%)	130 795	50 445	6 606	505

Limitations of sensitivity analysis

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

Sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the Bank's financial position may vary depending on changes in the market. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. In the event of sharp negative fluctuations in the securities market, Management actions could include selling investments, changing investment portfolio structure, and taking other protective measures. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas significantly impact assets measured at fair value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to significant fluctuations in equity.

Other limitations of the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of future market changes that cannot be predicted with any certainty. Another assumption is that all interest rates move in an identical manner.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. If operational risks cannot be managed, such risks may damage reputation, have legal or regulatory implications or lead to financial loss. The Bank cannot eliminate all operational risks, but it aims to manage these risks by establishing a control system and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, use of reliable equipment and IT systems, well-tuned procedures for personnel training and procedures related to assessment and management of operational risks.

(in thousands of Russian rubles, unless otherwise indicated)

27. Offsetting of financial instruments

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

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

Clearing participants are required to deposit collateral in the form of cash or securities for current deals and make contribution to guarantee funds, as described in Note 26. Clearing rules give the Bank right to use these amounts under certain conditions (e.g. in case of default).

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

	December 31, 2014			Related amounts not set off in the statement of the financial position		
	Gross claims	**Gross liabilities**	**Net amount presented in financial statements**	**Financial instruments**	**Cash collateral received**	**Net amount**
Financial assets						
CCP financial assets (repo transactions)	104 401 146	-	104 401 146	(104 401 146)	-	-
CCP financial assets (currency transactions)	55 522 604	(20 313 976)	35 208 628	-	(35 208 628)	-
Total financial assets	**159 923 750**	**(20 313 976)**	**139 609 774**	**(104 401 146)**	**(35 208 628)**	**-**
Financial liabilities						
CCP financial liabilities (repo transactions)	-	(104 401 146)	(104 401 146)	104 401 146	-	-
CCP financial liabilities (currency transactions)	6 103 596	(41 312 224)	(35 208 628)	-	-	(35 208 628)
Total financial liabilities	**6 103 596**	**(145 713 370)**	**(139 609 774)**	**104 401 146**	**-**	**(35 208 628)**

	December 31, 2013			Related amounts not set off in the statement of the financial position		
	Gross claims	**Gross liabilities**	**Net amount presented in financial statements**	**Financial instruments**	**Cash collateral received**	**Net amount**
Financial assets						
CCP financial assets (repo transactions)	44 706 755	-	44 706 755	(44 706 755)	-	-
CCP financial assets (currency transactions)	2 607 544	(305 763)	2 301 781	-	(2 301 781)	-
Total financial assets	**47 314 299**	**(305 763)**	**47 008 536**	**(44 706 755)**	**(2 301 781)**	**-**
Financial liabilities						
CCP financial liabilities (repo transactions)	-	(44 706 755)	(44 706 755)	44 706 755	-	-
CCP financial liabilities (currency transactions)	345 871	(2 647 652)	(2 301 781)	-	-	(2 301 781)
Total financial liabilities	**345 871**	**(47 354 407)**	**(47 008 536)**	**44 706 755**	**-**	**(2 301 781)**