Audit report on the financial statements
Bank National Clearing Centre Joint Stock Company
for the year ended 31 December 2015

April 2016

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To Shareholder of
Bank National Clearing Centre
Joint Stock Company

Report on the financial statements

We have audited the accompanying financial statements of Bank National Clearing Centre Joint Stock Company (hereafter – Bank NCC JSC), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 2015, and a summary of significant accounting policies and other explanatory information.

Audited entity’s responsibility for the 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank NCC JSC as at 31 December 2015, and its financial performance and cash flows for the year 2015 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 Bank NCC JSC is responsible for the Bank NCC JSC's compliance with the obligatory ratios established by the Bank of Russia and for the conformity of the Bank NCC JSC'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 Bank NCC JSC's annual financial statements for the year ended 31 December 2015, we determined:

1) whether the Bank NCC JSC complies as at 1 January 2016 with the obligatory ratios established by the Bank of Russia;
2) whether the Bank NCC JSC'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 Bank NCC JSC's respective authorized bodies, for detecting and managing risks that are significant to Bank NCC JSC and for performing stress-testing; existence of a reporting system at Bank NCC JSC pertaining to its significant risks and capital;
   - consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to Bank NCC JSC;
   - oversight performed by the Supervisory Board and executive management of the Bank NCC JSC in respect of the Bank NCC JSC's compliance with risk limits and capital adequacy requirements set forth in the Bank NCC JSC's internal documents, and effectiveness and consistency of the application of the Bank NCC JSC'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 Bank NCC JSC with the requirements set forth by the Bank of Russia, and recalculation, comparison and reconciliation of numerical values and other information.

The results of our work are provided below.

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Compliance by Bank NCC JSC with the obligatory ratios established by the Bank of Russia

We found that the values of obligatory ratios of Bank NCC JSC as of 1 January 2016 were within the limits established by the Bank of Russia.

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

Conformity of the Bank NCC JSC'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 2015, the Bank NCC JSC'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 – Bank NCC JSC's risk management departments) were not subordinated or accountable to the departments that take the relevant risks.

- We found that the Bank NCC JSC's internal documents effective as at 31 December 2015 that establish the methodologies for detecting and managing risks that are significant to the Bank NCC JSC (currency risk, interest rate risk, price risk, liquidity risk, credit risk, operational risk) and stress-testing have been approved by the Bank NCC JSC'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 2015, Bank NCC JSC has a reporting system pertaining risks that are significant to Bank NCC JSC (currency risk, interest rate risk, price risk, liquidity risk, credit risk, operational risk) and pertaining to its capital.

- We found that the periodicity and consistency of reports prepared by the Bank NCC JSC's risk management departments and internal audit division during the year ended 31 December 2015 with regard to the management of the Bank NCC JSC's risks (currency risk, interest rate risk, price risk, liquidity risk, credit risk, operational risk) complied with the Bank NCC JSC's internal documents and that those reports included observations made by Bank NCC JSC's risk management departments and internal audit division in respect of the effectiveness of the Bank NCC JSC's relevant risk management methodologies as well as recommendations on their improvement.

- We found that, as at 31 December 2015, the authority of the Supervisory Board and executive management bodies of the Bank NCC JSC included control over the Bank NCC JSC'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 Bank NCC JSC during ended 31 December 2015, the Supervisory Board and executive management bodies of Bank NCC JSC regularly reviewed the reports prepared by Bank NCC JSC's risk management departments and internal audit division and measures suggested to address the findings.

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The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purposes of determining the conformity of certain elements of the Bank NCC JSC'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 LLC

18 April 2016

Details of the audited entity

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

Details of the auditor

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

Bank National Clearing Centre (JSC)
Statement of comprehensive income
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
Interest income	5	23 413 828	11 665 421
Interest expense	5	(281 608)	(745 066)
Net interest income		**23 132 220**	**10 920 355**
Fee and commission income	6	5 629 618	4 531 145
Net loss on financial assets available-for-sale		(131 627)	(1 412 398)
Net gain on foreign exchange operations	7	298 143	734 217
Other income		31 524	6 331
Operating Income		**28 959 878**	**14 779 650**
Personnel expenses	8	(688 821)	(548 407)
Administrative and other operating expenses	9	(730 236)	(642 780)
Profit before Tax		**27 540 821**	**13 588 463**
Income tax expense	10	(5 270 058)	(2 631 405)
Net Profit		**22 270 763**	**10 957 058**
Other comprehensive income that may be reclassified subsequently to profit or loss			
Revaluation of financial assets available-for-sale		2 307 372	(2 680 872)
Net loss on investments available-for sale reclassified to profit or loss		131 627	1 412 398
Deferred income tax		(487 800)	253 695
Other comprehensive loss that may be reclassified subsequently to profit or loss		**1 951 199**	**(1 014 779)**
Total comprehensive income		**24 221 962**	**9 942 279**

On behalf of the Management Board of the Bank

Chairman of the Management Board
Khavin Alexey Sergeevich

April 18, 2016
Moscow

Банк «Национальный Клиринговый Центр» (Акционерное общество) Bank National Clearing Centre (Joint-stock company) БАНК НКЦ (АО) МОСКВА

Chief Accounting Officer
Gorina Marina Petrovna

April 18, 2016
Moscow

Notes 1-26 form an integral part of these financial statements.

Bank National Clearing Centre (JSC)
Statement of financial position
(in thousands of Russian rubles)

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Cash and cash equivalents	11	936 243 414	1 102 762 214
Mandatory cash balances with Central Bank of the Russian Federation		1 792 154	1 976 071
Due from banks and other financial institutions	12	40 213 989	31 735 799
Financial assets of central counterparty	13	518 509 253	139 609 774
Financial assets available-for-sale	14	161 145 179	85 901 298
Property and equipment and intangible assets	15	96 807	85 305
Other assets	16	928 627	317 093
Total assets		**1 658 929 423**	**1 362 387 554**
LIABILITIES			
Customer accounts	17	1 075 556 883	1 183 376 384
Margin account under reverse repo	12	417 707	-
Financial liabilities of central counterparty	13	518 509 253	139 609 774
Deferred tax liabilities	10	1 670 166	519 763
Current income tax liabilities		339 003	713 262
Other liabilities	18	537 438	533 382
Total liabilities		**1 597 030 450**	**1 324 752 565**
EQUITY			
Share capital	19	16 670 000	16 670 000
Paid-in capital	19	347 144	347 144
Investments revaluation reserve		863 800	(1 087 399)
Payments based on the shares of the parent company		46 347	32 187
Retained earnings		43 971 682	21 673 057
Total equity		**61 898 973**	**37 634 989**
Total liabilities and equity		**1 658 929 423**	**1 362 387 554**

Notes 1-26 form an integral part of these financial statements.

(in thousands of Russian rubles)

		Year ended December 31, 2015	Year ended December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		27 540 821	13 588 463
Adjustments for:			
Change in interest accruals, net		(1 943 553)	(614 943)
Deferred commission income	18	239 707	-
Loss from disposal of financial assets available-for-sale		131 627	1 412 398
Depreciation and amortization charge	9	39 675	24 607
Payments based on the shares of the parent company	8	42 022	24 061
Unrealized loss (gain) on foreign exchange operations		(75 112)	121 651
Other accruals		84 040	(12 167)
Cash flows from operating activities before changes in operating assets and liabilities		**26 059 227**	**14 544 070**
Changes in operating assets and liabilities:			
Mandatory cash balances with Central Bank of the Russian Federation		183 917	(418 548)
Financial assets at fair value though profit or loss		-	5 042
Due from banks and other financial institutions		5 405 572	(11 708 756)
Financial assets of central counterparty		(364 211 427)	(92 601 238)
Other assets		(713 035)	(39 263)
Customer accounts		(290 703 708)	612 948 040
Margin account under reverse repo		417 696	-
Financial liabilities of central counterparty		364 211 427	92 601 238
Other liabilities		(283 645)	230 146
Net cash flows from operating activities before income tax		(259 633 976)	615 560 731
Income tax paid		(4 981 714)	(1 153 606)
Cash inflows from operating activities		**(264 615 690)**	**614 407 125**
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Purchase of financial assets available-for-sale		(161 161 592)	(83 887 989)
Proceeds from sale of financial assets available-for-sale		95 539 624	70 288 421
Purchase of property and equipment and intangible assets	15	(51 220)	(37 962)
Net cash flows used in investing activities		**(65 673 188)**	**(13 637 530)**

Notes 1-26 form an integral part of these financial statements.

(in thousands of Russian rubles)

		Year ended December 31, 2015	Year ended December 31, 2014
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		-	(2 999 868)
Cash flows from financing activities		**-**	**(2 999 868)**
Effect of changes in foreign exchange rates on cash and cash equivalents		163 378 283	280 277 804
Net (decrease) increase in cash and cash equivalents		**(166 910 595)**	**878 047 531**
Cash and cash equivalents, beginning of the year	11	**1 102 252 558**	**224 205 026**
Cash and cash equivalents, end of the period	11	**935 341 963**	**1 102 252 558**

Interest paid and received for the year ended 31 December 2015, amounted to RUB 294 720 thousand and RUB 20 973 731 thousand respectively.

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

Bank National Clearing Centre (JSC)
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, 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		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	8	-	-	-	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**
Comprehensive income for the period		-	-	**1 951 199**	-	**22 270 763**	**24 221 962**
Transactions with owners							
Payments based on the shares of the parent company	8	-	-	-	14 160	27 862	42 022
Total transactions with owners		-	-	-	**14 160**	**27 862**	**42 022**
December 31, 2015		**16 670 000**	**347 144**	**863 800**	**46 347**	**43 971 682**	**61 898 973**

Notes 1-26 form an integral part of these financial statements.

1. Organization

Bank National Clearing Centre (Joint-stock company) (the "Bank" or NCC) 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.

In March 2015 the business name CJSC JSCB National Clearing Centre was changed to Bank National Clearing Centre (Joint-stock company).

The Bank is a member of Moscow Exchange Group ("Group"). and as at 31 December 2015 and 31 December 2014, 100% of the Bank's shares are held by PJSC Moscow Exchange MICEX-RTS ("Moscow Exchange").

The Bank acts as a central counterparty (CCP) and specializes in providing clearing services on foreign exchange and precious metals market, securities, derivatives, commodity markets and standardized OTC derivatives market, including determination and measurement of liabilities of clearing participants, setting off and settling them.

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. Revenue for services provided over a period is recognized pro rata over the period.

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 0.

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 0. 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.

Offsetting of financial assets

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

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

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, brokerage accounts, and balances on the Bank's clearing accounts. Accrued interest on the above balances that is receivable in more than one business day is excluded from cash and cash equivalents the purpose of statement of cash flows. Amounts that are subject to restrictions on their availability, including minimum reserve deposits with the CBR, are not included in cash and cash equivalents.

Financial assets and liabilities of central counterparty

The Bank acts as a central counterparty and guarantees settlements of certain exchange transactions. Assets and liabilities on such deals that may be offset against a clearing participant are reported net in accordance with IAS 32 and 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, securities or commodities (individual or other clearing collateral).

In addition to such daily security deposits, a clearing participants, are required to make contributions to guarantee funds as described in Note 22.

Financial liabilities

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

3. Significant accounting policies (continued)

Financial liabilities (continued)

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.

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. 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 Customer accounts. 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 2015 were 10%-33% (2014: 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.

3. Significant accounting policies (continued)

Taxation (continued)

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.

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

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

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

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the 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 recognised as at the beginning and end of that period (Note 8).

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.

(in thousands of Russian rubles, unless otherwise indicated)

3. Significant accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the Russian rubles at the CBR rates 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.

Exchange rate

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

	31 December 2015	31 December 2014
USD/RUB	72,8827	56,2584
EUR/RUB	79,6972	68,3427

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, 2015.

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.

3. Significant accounting policies (continued)

Adoption of new and revised standards (continued)

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Bank, since the Bank does not have defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these financial statements. 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.

The above definitions are consistent with how the Bank has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Bank's accounting policies.

IFRS 13 Fair Value Measurement

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. This is consistent with the Bank's current accounting policy, and thus this amendment does not impact the Bank's accounting policy.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these financial statements. They include:

IFRS 13 Fair Value Measurement

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

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.

3. Significant accounting policies (continued)

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

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. The Bank is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

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

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases

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

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 "[A]n 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.

(in thousands of Russian rubles, unless otherwise indicated)

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 2015, the gross receivables (Note 16) totaled RUB 48 265 thousand (31 December 2014: RUB 89 566 thousand). Based on the impairment analysis, the Bank has created an allowance for impairment of receivables in amount of RUB 29 628 thousand (31 December 2014: 22 830).

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 0.

5. Interest income and expense

	Year ended December 31, 2015	Year ended December 31, 2014
Interest income		
Interest income on financial assets available-for-sale	11 822 980	5 807 618
Interest income on cash and cash equivalents	6 047 271	3 537 769
Interest income on due from banks and other financial institutions	5 543 577	2 320 034
Total interest income	**23 413 828**	**11 665 421**
Interest expense		
Interest expense on term deposits	(159 791)	(233 287)
Interest expense on direct repo operations with Bank of Russia	(72 787)	(511 779)
Interest expense on margin account under reverse repo	(49 030)	-
Total interest expense	**(281 608)**	**(745 066)**

(in thousands of Russian rubles, unless otherwise indicated)

6. Fee and commission income

	Year ended December 31, 2015	Year ended December 31, 2014
Clearing services for money market	2 604 741	1 850 468
Clearing services for securities market	1 206 543	1 195 062
Clearing services for foreign exchange market	1 789 324	1 442 945
Clearing services for derivatives market	21 524	34 724
Other commissions	7 486	7 946
Total fee and commission income	**5 629 618**	**4 531 145**

7. Net gain on foreign exchange operations

	Year ended December 31, 2015	Year ended December 31, 2014
Foreign exchange swaps	323 309	723 125
Net other foreign exchange (loss) / gain	(25 166)	11 092
Total net gain on foreign exchange operations	**298 143**	**734 217**

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

8. Personnel expenses

	Year ended December 31, 2015	Year ended December 31, 2014
Employees benefits except for share-based payments	561 746	459 760
Payroll taxes and charges	85 053	64 586
Payments based on the shares of the parent company	42 022	24 061
Total personnel expenses	**688 821**	**548 407**

Payments based on the shares of the parent company

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

(in thousands of Russian rubles, unless otherwise indicated)

8. Personnel expenses (continued)

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

	Number	WAEP
Outstanding at January 1, 2014	3 433 334	46,9
Granted during the period	500 000	46,9
Exercised	(366 666)	46,9
Outstanding at December 31, 2014	**3 566 668**	**48,8**
Granted during the year	3 000 000	67,7
Exercised	(1 499 999)	46,9
Outstanding at December 31, 2015	**5 066 669**	**60,6**

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

The weighted average remaining contractual life for the rights outstanding as at December 31, 2015 was 1 year (December 31, 2014: 1 year). The weighted average fair value of rights granted during the year ended December 31, 2015 was RUB 19,45 (December 31, 2014: RUB 19,98) per 1 right. Exercise prices for rights outstanding as at December 31, 2015 were RUB 46,9 – RUB 67,7 (December 31, 2014: RUB 46,9 – RUB 60,64).

The following table lists the inputs to the models used:

Assumption	Value
Expected volatility	29,9%
Risk-free interest rate	10,79%
Share price, RUB	74,47
Dividend yield	6,8%

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

9. Administrative and other operating expenses

	Year ended December 31, 2015	Year ended December 31, 2014
Information and technological services	259 381	257 562
Settlement services and banks' fees	91 601	69 575
Taxes, other than income tax	85 397	84 190
Lease of property and equipment	82 558	90 610
Professional services	65 353	44 309
Depreciation and amortization charge	39 675	24 607
Maintenance of property and equipment and intangible assets	31 438	28 120
Depository services	20 402	13 021
Fines and penalties	11 210	-
Communications services	7 593	6 396
Other	35 628	24 390
Total administrative and other operating expenses	**730 236**	**642 780**

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

(in thousands of Russian rubles, unless otherwise indicated)

10. Income tax expense

	Year ended December 31, 2015	Year ended December 31, 2014
Current income tax expense	4 607 455	1 806 103
Deferred income tax expense	662 603	825 302
Total income tax expense	**5 270 058**	**2 631 405**

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, 2015	Year ended December 31, 2014
Profit before income tax	**27 540 821**	**13 588 463**
Tax at the statutory tax rate (20%)	5 508 164	2 717 693
Tax effect of income taxed at rates other than the 20% rate	(256 530)	(100 541)
Tax effect of permanent differences	18 424	14 253
Income tax expense	**5 270 058**	**2 631 405**

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.

Tax effect of temporary differences as at 31 December 2015 and 2014, comprise:

	Statement of financial position		Recognized in profit or loss	
	December 31, 2015	December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Effect of deductible temporary differences				
Financial assets available-for-sale	-	-	-	(5 570)
Property and equipment and intangible assets	12	157	(145)	118
Other assets	7 009	4 801	2 208	94
Tax loss carried forward	-	101 376	(101 376)	65 654
Other liabilities	94 659	35 059	59 600	27 817
Total effect of deductible temporary differences	**101 680**	**141 393**	**(39 713)**	**88 113**

(in thousands of Russian rubles, unless otherwise indicated)

	Statement of financial position		Recognized in profit or loss	
	December 31, 2015	December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Effect of taxable temporary differences				
Cash and cash equivalents	-	(16 802)	16 802	(16 526)
Financial assets at fair value through profit or loss	-	-	-	1 008
Financial assets of central counterparty	-	(3 709)	3 709	(3 557)
Financial assets available-for-sale	(1 771 846)	(640 645)	(643 401)	(894 340)
Total effect of taxable differences	**(1 771 846)**	**(661 156)**	**(622 890)**	**(913 415)**
Total deferred income tax expense			**(662 603)**	**(825 302)**
Deferred tax liabilities	**(1 670 166)**	**(519 763)**		

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning of the period – deferred tax (liabilities) / assets	**(519 763)**	**16 122**
Change in deferred tax recognized in profit or loss	(662 603)	(825 302)
Change in deferred tax recognized in other comprehensive income	(487 800)	253 695
Deferred income tax arising from business combinations	-	35 722
End of the period – deferred tax liabilities	**(1 670 166)**	**(519 763)**

11. Cash and cash equivalents

	December 31, 2015	December 31, 2014
Accounts and overnight deposits with other credit organizations	929 209 436	703 246 543
Balances with Bank of Russia	7 029 344	399 510 238
Settlements on brokerage operations	136	107
Cash on hand	4 498	5 326
Total cash and cash equivalents	**936 243 414**	**1 102 762 214**
Interest accrued on correspondent accounts with maturity of more than 1 working day	(901 451)	(509 656)
Total cash and cash equivalents for the purpose of Statement of Cash Flows	**935 341 963**	**1 102 252 558**

As at 31 December 2015, cash and cash equivalents include balances with three counterparties (31 December 2014: with two counterparties) in the amount of RUB 537 170 637 thousand (31 December 2014: RUB 524 574 393 thousand), which is a significant concentration.

(in thousands of Russian rubles, unless otherwise indicated)

12. Due from banks and other financial institutions and Margin account under reverse repo

	December 31, 2015	December 31, 2014
Reverse repurchase agreements with financial institutions	21 279 042	-
Term deposits	16 031 021	31 709 715
Correspondent accounts in precious metals	2 903 926	26 084
Total due from banks and other financial institutions	**40 213 989**	**31 735 799**

As at December 31, 2015, margin account under reverse repo in amount of RUB 417 707 thousand represents cash collateral received by the Bank under reverse repo operations.

As at 31 December 2015, the fair value of bonds pledged under reverse repurchase agreements with financial institutions was RUB 23 651 677 thousand.

13. Financial assets and liabilities of central counterparty

	December 31, 2015	December 31, 2014
Repo transactions	512 737 365	104 401 146
Currency transactions	5 771 888	35 208 628
Total financial assets and liabilities of central counterparty	**518 509 253**	**139 609 774**

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. Fair value of securities pledged as collateral under repo transactions is RUB 580 456 922 thousand (31 December 2014: RUB 122 730 390 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 25.

As at 31 December 2015, there was no allowance created for financial assets of central counterparty (31 December 2014: no allowance) and these financial assets were not overdue (31 December 2014: not overdue).

(in thousands of Russian rubles, unless otherwise indicated)

14. Financial assets available-for-sale

	December 31, 2015	December 31, 2014
Bonds issued by Russian Federation	98 832 899	39 708 107
Bonds issued by Russian companies	33 283 156	20 158 811
Bonds issued by Russian commercial banks	21 149 496	22 276 097
Bonds issued by Vnesheconombank	3 217 725	3 206 353
Bonds issued by international financial organizations	2 849 184	504 866
Bonds issued by Russian local governments	1 811 018	46 539
SWIFT shares	1 701	525
Total investments available-for-sale	**161 145 179**	**85 901 298**

15. Property, equipment and intangible assets

	Furniture & Equipment	Intangible assets	Total
Cost			
December 31, 2013	**12 599**	**85 248**	**97 847**
Additions	11 347	26 615	37 962
Merger	337	289	626
Disposals	-	(354)	(354)
December 31, 2014	**24 283**	**111 798**	**136 081**
Additions	21 051	30 169	51 220
Disposals	(43)	(418)	(461)
December 31, 2015	**45 291**	**141 549**	**186 840**
Accumulated depreciation			
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**
Charge for the period	14 793	24 882	39 675
Disposals	-	(418)	(418)
December 31, 2015	**24 789**	**65 244**	**90 033**
Net book value			
December 31, 2014	**14 287**	**71 018**	**85 305**
December 31, 2015	**20 502**	**76 305**	**96 807**

(in thousands of Russian rubles, unless otherwise indicated)

16. Other assets

	December 31, 2015	December 31, 2014
Other financial assets		
Receivables on services rendered	25 641	66 941
Receivables on transactions with securities	22 625	22 625
Less allowance for impairment	(29 628)	(22 830)
Total other financial assets	**18 638**	**66 736**
Other non-financial assets		
Precious metals	879 975	203 866
Prepayments and other receivables	29 098	41 685
Taxes receivable other than income tax	916	4 806
Total other non-financial assets	**909 989**	**250 357**
Total other assets	**928 627**	**317 093**

17. Customer accounts

	December 31, 2015	December 31, 2014
Accounts of clearing participants	1 056 234 780	1 169 984 024
Current accounts	9 412 556	5 167 577
Guarantee fund on securities and derivatives markets	3 879 235	3 157 306
Accounts in precious metals	3 783 902	229 950
Term deposits	1 312 415	4 754 477
Guarantee fund on foreign currency market and precious metals market	844 945	-
Guarantee fund on OTC derivatives market	89 050	83 050
Total customer accounts	**1 075 556 883**	**1 183 376 384**

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 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.

(in thousands of Russian rubles, unless otherwise indicated)

18. Other liabilities

	December 31, 2015	December 31, 2014
Other financial liabilities		
Payables to personnel	222 216	154 401
Payables on information and technological services	25 327	25 327
Payables for unused vacations	21 395	18 773
Payables to clearing participants with revoked licences	12 157	319 023
Payables for depositary and settlement operations	9 733	7 211
Other	6 115	6 949
Total other financial liabilities	**296 943**	**531 684**
Other non-financial liabilities		
Deferred commission income	239 707	-
Taxes payable, other than income tax	788	795
Other	-	903
Total other non-financial liabilities	**240 495**	**1 698**
Total other liabilities	**537 438**	**533 382**

19. Share capital and paid-in capital

As at 31 December, 2014 and 2015 the Bank's share capital consists of 16 670 000 issued and paid ordinary 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 CJSC Clearing Center RTS and Non-banking Credit Organisation Settlement Chamber RTS CJSC.

Change of the number of shares outstanding for 2015 and 2014 is presented in the table below:

	Number of ordinary shares
December 31, 2013	**15 170 000**
Merger	1 500 000
December 31, 2014 and 2015	**16 670 000**

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 and part of NCC's own funds, segregated in accordance with regulations of CBR relating to CCP activities.

Reserve fund 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 2015, the reserve fund amounted to RUB 966 775 thousand (31 December 2014: RUB 966 775 thousand).

Part of NCC's own funds, segregated in 2015 as a result of changes in CBR regulations is represented by:

- Dedicated capital of CCP which is intended to cover possible losses resulting from a default or improper performance of their obligations by clearing participants, in amount of RUB 6 500 00 thousand;
- funds for termination or restructuring of CCP activities, in amount of RUB 510 999 thousand;
- funds to cover possible losses from deterioration of the CCP's financial position, not associated with defaults of clearing participants, in the amount of RUB 255 499 thousand.

(in thousands of Russian rubles, unless otherwise indicated)

20. 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, 2015	December 31, 2014
Less than 1 year	39 819	62 584

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

20. 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 of 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.

21. Transactions with related parties

a) Control relationships

As at 31 December 2015 and 2014, the Bank is a wholly owned subsidiary of Moscow Exchange. Russian Federation exercized significant influence over Moscow Exchange.

b) Transactions with key management

Key management personnel comprises members of the Management Board and the Supervisory Board. The total remuneration of key management personnel includes short-term benefits (salary, bonuses, payroll related taxes, insurance, health care, etc.), long-term benefits (deferred part of bonus in accordance with CBR instruction #154-I), and share-based payment expense.

	Year ended December 31, 2015	Year ended December 31, 2014
Short-term employee benefits	155 293	113 324
Long-term employee benefits	34 240	-
Share-based payment expense	28 154	12 419
Total remuneration of key management personnel	**217 687**	**125 743**

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)

22. 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, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Central counterparty financial assets and liabilities (foreign currency operations)	5 771 888	-	-	5 771 888
Investments available-for-sale	152 329 978	8 813 501	1 701	161 145 180

	December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Central counterparty financial assets and liabilities (foreign currency operations)	35 208 628	-	-	35 208 628
Investments available-for-sale	80 924 314	4 976 459	525	85 901 298

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

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

Balance at December 31, 2013	**603**
Foreign exchange loss	(78)
Balance at December 31, 2014	**525**
Level 3 securities purchased	1 176
Balance at December 31, 2015	**1 701**

(in thousands of Russian rubles, unless otherwise indicated)

22. Fair Value Measurements (continued)

Transfers between level 1 and 2

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

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

	Transfers between Level 1 and Level 2	
	Year ended December 31, 2015	**Year ended December 31, 2014**
From Level 1 to Level 2		
Investments avaliable-for-sale	4 545 099	2 222 511
From Level 2 to Level 1		
Investments avaliable-for-sale	1 089 967	857 679

23. 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 2014.

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 2015 his minimum level was 10% (December 31, 2014: 10%). The Bank was in compliance with the statutory capital ratio during the years ended 31 December 2015 and 2014.

	December 31, 2015	**December 31, 2014**
Equity	54 130 884	38 542 136
Risk weighted assets	403 647 959	288 835 832
Capital adequacy ratio (H1)	**13,4%**	**13,3%**
Statutory ratio of capital adequacy	10%	10%

24. Risk management policies

As a central counterparty and systemically important financial markets infrastructure institution, Bank has a specific risk structure, which consists of the following interrelated and interdependent risk groups:

- risks specific to the Bank as a central counterparty and clearing organization;
- the risks inherent in banking activities of the Bank;
- risks specific to the Bank as a commodities delivery operator.

The key objectives of the Bank are financial system risks reduction and ensuring stability of the financial and commodity markets where Bank operates. For these purposes Bank implemented a comprehensive risk management system (RMS), consistent with international standards, which helps to perform a thorough analysis of risks arising in the course of all activities of the Bank. This integrated approach to RMS organization is based on a single holistic unit responsible for the RMS in Bank that accumulates information on all risk types.

The key objectives of the RMS are the following:

- mitigate risk exposures across all segments of financial and commodity markets;
- ensure the adequacy of the Bank funds to cover potential losses through the accumulation of financial resources, including own capital, individual clearing collateral, guarantee funds and other types of collateral;
- ensure the reliable functioning of exchange trading systems, clearing and settlements by means of timely risks identification and measures of alert and adequate response in case of risk events.

The most recent risks' identification procedure revealed Bank is exposed to the following significant risks: credit risk, market risk, liquidity risk, operational risk, strategic risk, legal risk, compliance and reputational risks.

The main tasks of risk management include risk identification, risk measurement, development of internal RMS policies and implementation of control mechanisms, including limits system and subsequent compliance control.

Significant types of risks for the Bank are credit, market, liquidity and operational risks. Significant risks stress-tested by the Bank on a monthly basis. Information on stress-testing is disclosed in reporting forms prepared in accordance with requirements of the Bank of Russia.

Credit risk

Credit risk is the risk of losses resulting from a default or improper performance of their financial obligations to the Bank by its counterparties.

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

Key objectives of the Bank's credit risk management:

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

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

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

24. Risk management policies (continued)

Credit risk (continued)

To reduce credit risk the Bank applies specific requirements to financial conditions of its counterparties and to the types and quality of collateral accepted by the Bank. Accepted collateral includes liquid securities and cash contributions in Rubles and foreign currencies. Eligible types of collateral depends on the market and the type of exposure. Moreover the Bank can aply discounts to collateral accepted.

One of the major risks of the Bank is exposed to within its centralized clearing activity is the CCP credit risk. To mitigate credit risk from its CCP activities the Bank has introduced a multi-level default waterfall structure in compliance with the highest international standards and consisting of various lines of defence applicable in case of a clearing participant default. In 2015 the Bank has formed Dedicated capital as an additional defence level in its waterfall to limit its liabilities in case of a counterparty default. Moreover the Bank has updaded the guarantee funds contribution policy: now it is unified across all markets. Should one or more clearing members default, CCP takes necessary measures to perform its obligations to non-defaulting clearing members.

In all markets of the Group there is a unified multi-level safeguard structure, which includes:

- Individual clearing collateral (including stress collateral);
- Dedicated capital of CCP;
- Collective clearing collateral (guarantee funds);
- Additional capital of CCP;
- CCP liability limitation pocedure.

Should a clearing member defaults and its individual and collective clearing collateral turns out to be insufficient to cover the losses, the rest of CCP safeguard structure is used in respective order listed above. In addition to safeguard structure the Bank has implemented a cross-default procedure, which regulates the use of defaulting clearing member funds across all markets. General action plan in case of a default is described in clearing rules for each market of Moscow Exchange Group.

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 11) include accounts with Non-Banking Credit Organization Closed Joint-stock Company National Settlement Depository ("NSD") of RUB 50 817 802 thousand (31 December 2014: RUB 75 790 788 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 2015, NSD had AA- rating (31 December 2014: AA-) which corresponds to the low risk level.

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

Tables below do not include amounts relating to accounts in precious metals.

(in thousands of Russian rubles, unless otherwise indicated)

24. 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 2015 and 2014:

	AA	A	BBB	less BBB-	Not rated	December 31, 2015 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	300 298 464	243 945 493	35 092 421	306 084 736	50 817 802	**936 238 916**
Mandatory cash balances with Central Bank of the Russian Federation	-	-	1 792 154	-	-	**1 792 154**
Due from financial institutions	-	-	-	37 310 063	-	**37 310 063**
Central counterparty financial assets	-	-	395 539	336 650 329	181 463 385	**518 509 253**
Investments available-for-sale	-	-	83 712 731	77 430 747	1 701	**161 145 179**
Other financial assets	-	-	4	933	17 701	**18 638**

	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**

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.

Geographical concentration

Geographical concentration of assets and liabilities is as follows:

	Russian Federation	OECD countries	Other	December 31, 2015 Total
Financial assets				
Cash and cash equivalents	229 521 316	705 605 543	1 116 555	936 243 414
Mandatory cash balances with Central Bank of the Russian Federation	1 792 154	-	-	1 792 154
Due from financial institutions	37 310 063	-	-	37 310 063
Central counterparty financial assets	518 509 253	-	-	518 509 253
Investments available-for-sale	158 294 294	1 701	2 849 184	161 145 179
Other financial assets	18 638	-	-	18 638
Total financial assets	**945 445 718**	**705 607 244**	**3 965 739**	**1 655 018 701**

(in thousands of Russian rubles, unless otherwise indicated)

	Russian Federation	OECD countries	Other	December 31, 2015 Total
Financial liabilities				
Customer accounts	1 071 107 778	-	665 203	1 071 772 981
Margin account under reverse repo	417 707	-	-	417 707
Central counterparty financial liabilities	518 509 253	-	-	518 509 253
Other financial liabilities	294 170	2 773	-	296 943
Total financial liabilities	**1 590 328 908**	**2 773**	**665 203**	**1 590 996 884**

	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**

Liquidity risk

Liquidity risk is the risk of facing the situation where available funds are insufficient to meet current financial liabilities and arises from the time gap between assets and liabilities of the Bank.

The main purpose of liquidity management is to ensure Bank's ability to perform its obligations not only under normal market conditions but also in cases of unforeseen emergencies without suffering unacceptable losses or risk of damaging its business reputation.

Bank's liquidity management procedures cover various forms of liquidity risk:

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

(in thousands of Russian rubles, unless otherwise indicated)

24. Risk management policies (continued)

Liquidity risk (continued)

Liquidity risk management plays an important role in the whole risk management system and includes such procedures as:

- cashflow forecast by key currencies and assessment of liquidity requirements;
- forecasting/monitoring payment flow and liquidity ratios;
- maintaining of acid, current and longterm liquidity ratios compliant with statutory ratios;
- planning measures to recover the required liquidity level considering unfavourable and crisis situations;
- setting of limits and restrictions on cash transmission into other groups of assets: securities trading limits and limits on open currency position;
- ensuring an optimal structure of assets in accordance with the resource base;
- accounting for the maturities of fund sources and their volumes when allocating assets to financial instruments;
- analysis of negative cases with liquidity shortage, assessment of chain reaction to that type of risk, development of liquidity management methods and mechanisms.

NCC analyses its liquidity state based on maturity gaps between assets and liabilities, assessment of liquidity shortage and liquidity shortage (excess) coefficient on an accrual basis by maturity buckets and with account for refinancing possibilities. The detailed analysis of liquidity using internal models includes clarifying adjustments of accounting data on the structure, amounts and maturity of assets and liabilities.

Tables below do not include amounts relating to accounts in precious metals.

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 2015 and 2014, 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	1 year to 5 years	Maturity undefined	December 31, 2015 Total
Financial assets						
Cash and cash equivalents	936 243 414	-	-	-	-	936 243 414
Mandatory cash balances with Central Bank of the Russian Federation	-	-	-	-	1 792 154	1 792 154
Due from financial institutions	16 031 021	-	21 279 042	-	-	37 310 063
Central counterparty financial assets	518 509 253	-	-	-	-	518 509 253
Investments available-for-sale	160 246 230	-	50 723	846 525	1 701	161 145 179
Other financial assets	18 638	-	-	-	-	18 638
Total financial assets	**1 631 048 556**	**-**	**21 329 765**	**846 525**	**1 793 855**	**1 655 018 701**
Financial liabilities						
Customer accounts	1 070 792 412	919 988	60 581	-	-	1 071 772 981
Margin account under reverse repo	-	-	417 707	-	-	417 707
Central counterparty financial liabilities	518 509 253	-	-	-	-	518 509 253
Other financial liabilities	53 332	168 789	33 635	41 187	-	296 943
Total financial liabilities	**1 589 354 997**	**1 088 777**	**511 923**	**41 187**	**-**	**1 590 996 884**
Liquidity gap	**41 693 559**	**(1 088 777)**	**20 817 842**	**805 338**	**1 793 855**	
Cumulative liquidity gap	**41 693 559**	**40 604 782**	**61 422 624**	**62 227 962**	**64 021 817**	

(in thousands of Russian rubles, unless otherwise indicated)

24. Risk management policies (continued)

Liquidity risk (continued)

	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**	

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	1 year to 5 years	December 31, 2015 Total
Financial liabilities					
Customer accounts	1 071 220 694	926 758	62 827	-	1 072 210 279
Margin account under reverse repo	-	-	420 817	-	420 817
Central counterparty financial liabilities	518 509 253	-	-	-	518 509 253
Other financial liabilities	53 332	168 789	33 635	41 187	296 943
Total financial liabilities	**1 589 783 279**	**1 095 547**	**517 280**	**41 187**	**1 591 437 293**

(in thousands of Russian rubles, unless otherwise indicated)

24. Risk management policies (continued)

Liquidity risk (continued)

	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**

Market risk

Market risk is the risk of losses due to changes in market variables such as interest rates, foreign exchange rates, and prices of financial instruments, and also due to low market liquidity as a result of liquidation costs/ positions restructuring.

With regard to the activities of a central counterparty the Bank becomes exposed to market risk only when credit risk event is realized. Price volatility of market instruments may cause losses due to unfavorable market movements when it is necessary to close positions (substitute contracts) at market prices. Market risk can stem from a potential need to close large market positions (to sell the collateral) of defaulting clearing member which at a low market liquidity may adversely affect the price at which position can be closed (collateral can be sold).

The key components of market risk are interest and currency risks..

Interest rate risk

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

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

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

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 150 bp (31 December 2014: 570 bp) which is in line with the Management's expectations with regard to a reasonably possible change in interest rates.

	December 31, 2015		December 31, 2014	
	Net profit	Equity	Net profit	Equity
150 bp parallel rise (December 31, 2014: 570 bp)	-	(2 891 287)	-	(2 352 493)
150 bp parallel fall (December 31, 2014: 570 bp)	-	2 984 904	-	2 366 529

(in thousands of Russian rubles, unless otherwise indicated)

24. Risk management policies (continued)

Currency risk

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

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

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

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

	RUB	USD	EUR	Other currencies	December 31, 2015 Total
Financial assets					
Cash and cash equivalents	51 601 052	380 104 144	502 009 227	2 528 991	936 243 414
Mandatory cash balances with Central Bank of the Russian Federation	1 792 154	-	-	-	1 792 154
Due from financial institutions	16 031 020	-	21 279 043	-	37 310 063
Central counterparty financial assets	440 808 280	77 527 969	173 004	-	518 509 253
Investments available-for-sale	114 073 740	44 355 553	2 715 886	-	161 145 179
Other financial assets	18 638	-	-	-	18 638
Total financial assets	**624 324 884**	**501 987 666**	**526 177 160**	**2 528 991**	**1 655 018 701**
Financial liabilities					
Customer accounts	120 408 007	423 566 132	525 272 629	2 526 213	1 071 772 981
Margin account under reverse repo	-	-	417 707	-	417 707
Central counterparty financial liabilities	440 808 280	77 527 969	173 004	-	518 509 253
Other financial liabilities	287 069	1 263	8 496	115	296 943
Total financial liabilities	**561 503 356**	**501 095 364**	**525 871 836**	**2 526 328**	**1 590 996 884**
Open position	**62 821 528**	**892 302**	**305 324**	**2 663**	

(in thousands of Russian rubles, unless otherwise indicated)

24. Risk management policies (continued)

Currency risk (continued)

	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**	

Currency risk sensitivity

The following table details the Bank's sensitivity to a 26% (31 December 2014: 26%) increase and decrease in the Russian ruble exchange rate against relevant foreign currencies. The sensitivity rate represents Bank's assessment of the reasonably possible change in foreign exchange rates.

	December 31, 2015		December 31, 2014	
	USD	EUR	USD	EUR
26% ruble appreciation	(185 599)	(63 507)	(6 606)	(505)
26% ruble depreciation	185 599	63 507	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.

24. Risk management policies (continued)

Limitations of sensitivity analysis (continued)

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

With respect to NCC activities as a central counterparty operational risk is triggered off by failures in regular work of functional areas of NCC, technical and IT facilities, rules and requirements to Bank's operations besides all due to mistakes, unintentional and deliberate misperformance, technical failures and also external circumstances.

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

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

Operational risk management includes reputational, compliance and legal risks governance as well.

Moreover, strategic risk (risk of non achievement of strategic goals within certain deadline or resources) is also monitored and managed under the operational risk management framework.

Legal risk

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

Legal risk management procedures include:

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

(in thousands of Russian rubles, unless otherwise indicated)

24. Risk management policies (continued)

Compliance risk

Compliance risk is the risk of losses resulting from Bank activities being inconsistent with the law, the Charter and internal regulations.

Compliance risk is managed by Internal Control department that takes the following actions in order to prevent losses due to compliance risk realization:

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

Reputational risk

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

25. Offsetting of financial instruments

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

Direct and reverse repo transactions of CCP with individual counterparties are subject to clearing rules that create a contingent right of set-off that does not qualify for offsetting. Clearing participants are required to deposit collateral in the form of cash or securities for current deals and make contribution to guarantee funds, as described in Note 24. Clearing rules give the Bank right to use these amounts under certain conditions (e.g. in case of default). However, offsetting criteria is not met as there is no intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Reverse repo transactions with financial institutions are subject to master agreements entered into with these insitutions. Master agreements give the Bank right to settle amounts relating to these transactions on a net basis under certain conditions (e.g. in case of default). However, offsetting criteria is not met as there is no enforceable right to set off in the normal course of business.

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

	December 31, 2015			Related amounts not set off in the statement of the financial position		
	Gross claims	**Gross liabilities**	**Net amount presented in financial statements**	**Financial instruments**	**Cash collateral received**	**Net amount**
Financial assets						
Due from financial institutions (Reverse repo receivables from financial institutions)	21 279 042	-	21 279 042	(21 279 042)	-	-
CCP financial assets (repo transactions)	512 737 365	-	512 737 365	(512 737 365)	-	-
CCP financial assets (currency transactions)	9 752 288	(3 980 400)	5 771 888	-	(5 771 888)	-
Total financial assets	**543 768 695**	**(3 980 400)**	**539 788 295**	**(534 016 407)**	**(5 771 888)**	**-**

(in thousands of Russian rubles, unless otherwise indicated)

	December 31, 2015			Related amounts not set off in the statement of the financial position		
	Gross claims	Gross liabilities	Net amount presented in financial statements	Financial instruments	Cash collateral received	Net amount
Financial liabilities						
CCP financial liabilities (repo transactions)	-	(512 737 365)	(512 737 365)	512 737 365	-	-
CCP financial liabilities (currency transactions)	3 083 412	(8 855 300)	(5 771 888)	-	-	(5 771 888)
Margin account under reverse repo		(417 707)	(417 707)	-	-	(417 707)
Total financial liabilities	**3 083 412**	**(522 010 372)**	**(518 926 960)**	**512 737 365**	**-**	**(6 189 595)**

	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)**

26. Subsequent events

As at February 24, 2016 NCC paid dividends to Moscow Exchange in amount of RUB 4 999 999 thousand.