PUBLIC JOINT-STOCK COMPANY
MOSCOW EXCHANGE MICEX-RTS

Interim Condensed Consolidated Financial Statements
For the Six-Month Period Ended June 30, 2018 (unaudited)

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" and its subsidiaries (the "Group") as of June 30, 2018, the related interim condensed consolidated statements of profit or loss and of comprehensive income for three and six months then ended, interim condensed consolidated statements of changes in equity and cash flows for the six months then ended, and selected explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Neklyudov Sergei Vyacheslavovich,
Engagement partner

Deloitte & Touche

23 August 2018

The Entity: Public Joint-Stock Company "Moscow Exchange MICEX-RTS"

Primary State Registration Number: 1027739387411, record made in the State Register of Legal Entities on 16.10.2002.

Address: Russia 125009, Moscow, Bolshoy Kislovsky per., 13

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484.

MOSCOW EXCHANGE

Interim Condensed Consolidated Statement of Profit or Loss for the Six-Month Period Ended June 30, 2018
(in millions of Russian rubles)

	Notes	Three-Month Period Ended June 30, 2018 (unaudited)	Three-Month Period Ended June 30, 2017 (unaudited)	Six-Month Period Ended June 30, 2018 (unaudited)	Six-Month Period Ended June 30, 2017 (unaudited)
Fee and commission income	4	5 927,2	5 076,9	11 432,9	9 958,3
Interest and other finance income	5	4 719,6	3 687,0	9 150,3	8 224,7
Interest expense	6	(67,8)	(269,7)	(154,5)	(533,5)
Net (loss)/gain on financial assets at fair value through other comprehensive income		(31,5)	-	323,8	-
Net gain on financial assets available-for-sale		-	624,1	-	649,4
Foreign exchange gains less losses	7	(509,6)	694,5	(875,3)	974,2
Other operating income	8	142,1	7,9	173,6	17,2
Operating Income		**10 180,0**	**9 820,7**	**20 050,8**	**19 290,3**
Administrative and other expenses	9	(1 976,3)	(1 736,2)	(3 797,1)	(3 415,4)
Personnel expenses	10	(1 526,3)	(1 477,9)	(3 233,4)	(3 080,1)
Profit before Other Operating Expenses and Tax		**6 677,4**	**6 606,6**	**13 020,3**	**12 794,8**
Other operating expenses	12	(873,5)	-	(1 729,9)	-
Profit before Tax		**5 803,9**	**6 606,6**	**11 290,4**	**12 794,8**
Income tax expense	13	(939,0)	(1 307,1)	(2 139,9)	(2 497,2)
Net Profit		**4 864,9**	**5 299,5**	**9 150,5**	**10 297,6**
Attributable to:					
Equity holders of the parent		4 867,7	5 300,7	9 152,5	10 298,3
Non-controlling interest		(2,8)	(1,2)	(2,0)	(0,7)
Earnings per share (rubles)					
Basic earnings per share	26	2,16	2,36	4,07	4,58
Diluted earnings per share	26	2,16	2,35	4,06	4,56

Chairman of the Executive Board

Afanasiev A.K.

August 23, 2018
Moscow

Chief Financial Officer,
Executive Board Member
Lapin M.V.

August 23, 2018
Moscow

The notes 1-29 form an integral part of these interim condensed consolidated financial statements.

MOSCOW EXCHANGE

Interim Condensed Consolidated Statement of Comprehensive Income
for the Six-Month Period Ended June 30, 2018
(in millions of Russian rubles)

	Notes	Three-Month Period Ended June 30, 2018 (unaudited)	Three-Month Period Ended June 30, 2017 (unaudited)	Six-Month Period Ended June 30, 2018 (unaudited)	Six-Month Period Ended June 30, 2017 (unaudited)
Net profit		**4 864,9**	**5 299,5**	**9 150,5**	**10 297,6**
Other comprehensive income / (loss) that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		0,4	0,9	2,2	0,8
Movement in investment revaluation reserve for financial assets at fair value through other comprehensive income		(1 721,0)	-	(2 270,8)	-
Movement in the credit risk of financial assets at fair value through other comprehensive income	11	(120,3)	-	(122,7)	-
Net loss/(gain) on investments at fair value through other comprehensive income reclassified to profit or loss		31,5	-	(323,8)	-
Net income resulting from revaluation of investments available-for-sale		-	331,5	-	110,4
Net gain on investments available-for sale reclassified to profit or loss		-	(624,1)	-	(649,4)
Income tax relating to items that may be reclassified		361,9	58,5	543,4	107,8
Other comprehensive loss that may be reclassified subsequently to profit or loss		**(1 447,5)**	**(233,2)**	**(2 171,7)**	**(430,4)**
Total comprehensive income		**3 417,4**	**5 066,3**	**6 978,8**	**9 867,2**
Attributable to:					
Equity holders of the parent		3 418,3	5 065,3	6 975,5	9 866,8
Non-controlling interest		(0,9)	1,0	3,3	0,4

The notes 1-29 form an integral part of these interim condensed consolidated financial statements.

MOSCOW EXCHANGE

Interim Condensed Consolidated Statement of Financial Position as at June 30, 2018

(in millions of Russian rubles)

	Notes	June 30, 2018 (unaudited)	January 1, 2018 (with IFRS 9 effect) (unaudited)	December 31, 2017
ASSETS				
Cash and cash equivalents	14	272 818,6	273 243,4	273 248,6
Financial assets at fair value through profit or loss	15	3 476,5	8 053,0	413,6
Due from financial institutions	16	107 098,2	63 583,2	63 606,9
Central counterparty financial assets	17	2 482 484,7	2 430 083,8	2 430 083,8
Financial assets at fair value though other comprehensive income	18	238 508,3	207 497,1	-
Investments available-for-sale		-	-	215 132,2
Property and equipment	19	6 063,4	6 636,2	6 636,2
Intangible assets	20	17 939,5	18 307,9	18 307,9
Goodwill		15 971,4	15 971,4	15 971,4
Current tax prepayments		1 678,4	306,8	306,8
Deferred tax asset	13	73,5	258,2	243,4
Other assets	21	2 167,3	3 769,2	3 818,9
TOTAL ASSETS		**3 148 279,8**	**3 027 710,2**	**3 027 769,7**
LIABILITIES				
Balances of market participants	22	537 436,7	466 860,2	466 860,2
Central counterparty financial liabilities	17	2 482 484,7	2 430 083,8	2 430 083,8
Distributions payable to holders of securities		5 487,0	2 507,8	2 507,8
Margin account		-	384,6	384,6
Deferred tax liability	13	3 124,3	2 943,3	2 943,3
Other liabilities	23	3 727,6	3 711,2	3 711,2
TOTAL LIABILITIES		**3 032 260,3**	**2 906 490,9**	**2 906 490,9**
EQUITY				
Share capital	24	2 495,9	2 495,9	2 495,9
Share premium	24	32 113,6	32 105,5	32 105,5
Treasury shares	24	(1 876,8)	(1 908,1)	(1 908,1)
Foreign currency translation reserve		(21,6)	(18,5)	(18,5)
Investments revaluation reserve		(555,6)	1 618,3	1 357,0
Share-based payments		626,5	524,0	524,0
Retained earnings		83 059,3	86 227,3	86 546,4
Total equity attributable to owners of the parent		**115 841,3**	**121 044,4**	**121 102,2**
Non-controlling interest		178,2	174,9	176,6
TOTAL EQUITY		**116 019,5**	**121 219,3**	**121 278,8**
TOTAL LIABILITIES AND EQUITY		**3 148 279,8**	**3 027 710,2**	**3 027 769,7**

The notes 1-29 form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows for the for the Six-Month Period Ended June 30, 2018

(in millions of Russian rubles)

	Notes	Six-Month Period Ended June 30, 2018 (unaudited)	Six-Month Period Ended June 30, 2017 (unaudited)
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES:			
Profit before tax		11 290,4	12 794,8
Adjustments for:			
Depreciation and amortisation charge	9	1 674,2	1 439,7
Net change in deferred commission income		(309,0)	(130,6)
Revaluation of derivatives		511,4	1 066,0
Share-based payment expense	10	154,4	126,5
Unrealized gain on foreign exchange operations		(66,8)	(100,5)
Gain on disposal of financial assets at fair value through other comprehensive income		(323,8)	-
Gain on disposal of investments available-for-sale		-	(649,4)
Net change in interest accruals		1 606,0	(1 682,0)
Net loss/(gain) on disposal of property and equipment		22,7	(0,4)
Change in allowance for expected credit losses	11	(137,4)	8,9
Change in other provisions	23	873,0	-
Changes in operating assets and liabilities:			
Due from financial institutions		(35 267,1)	3 012,8
Financial assets at fair value through profit or loss		4 187,3	(0,1)
Central counterparty financial assets		(20 260,5)	(173 396,5)
Other assets		1 596,0	267,4
Balances of market participants		23 230,6	41 162,9
Central counterparty financial liabilities		20 260,5	173 396,5
Distributions payable to holders of securities		2 979,2	(1 343,4)
Margin account		(384,6)	-
Other liabilities		(695,8)	(355,5)
Cash flows from operating activities before taxation		10 940,7	55 617,1
Income tax paid		(2 602,4)	(6 207,6)
Cash flows from operating activities		**8 338,3**	**49 409,5**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES:			
Purchase of financial assets at fair value through other comprehensive income		(115 799,1)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		88 282,2	-
Purchase of investments available-for-sale		-	(104 368,8)
Proceeds from disposal of investments available-for-sale		-	135 687,6
Purchase of property and equipment and intangible assets		(671,7)	(817,2)
Proceeds from disposal of property and equipment and intangible assets		1,6	0,4
Cash flows (used in) / from investing activities		**(28 187,0)**	**30 502,0**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES:			
Dividends paid		(12 320,5)	(17 289,7)
Sale of treasury shares		-	49,4
Cash flows used in financing activities		**(12 320,5)**	**(17 240,3)**
Effect of changes in foreign exchange rates on cash and cash equivalents		31 743,4	17 301,3
Net (decrease) / increase in cash and cash equivalents		**(425,8)**	**79 972,5**
Cash and cash equivalents, beginning of period	14	**273 248,6**	**380 516,6**
Cash and cash equivalents, end of period	14	**272 822,8**	**460 489,1**

Interest received by the Group during the six-month period ended June 30, 2018, amounted to RUB 10 738,9 million (June 30, 2017: RUB 6 549,4 million). Interest paid by the Group during the six-month period ended June 30, 2018, amounted to RUB 153,8 million (June 30, 2017: RUB 536,0 million).

The notes 1-29 form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity for the Six-Month Period Ended June 30, 2018
(in millions of Russian rubles)

	Share capital	Share premium	Treasury shares	Investments revaluation reserve	Share-based payments	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
December 31, 2016	**2 498,1**	**32 286,2**	**(2 271,9)**	**1 110,5**	**413,1**	**(21,4)**	**89 177,8**	**123 192,4**	**191,2**	**123 383,6**
Net profit	-	-	-	-	-	-	10 298,3	10 298,3	(0,7)	10 297,6
Other comprehensive income	-	-	-	(431,2)	-	(0,3)	-	(431,5)	1,1	(430,4)
Total comprehensive income for the period	**-**	**-**	**-**	**(431,2)**	**-**	**(0,3)**	**10 298,3**	**9 866,8**	**0,4**	**9 867,2**
Dividends declared (Note 25)	-	-	-	-	-	-	(17 289,7)	(17 289,7)	-	(17 289,7)
Share-based payments	-	(38,7)	206,7	-	(4,0)	-	-	164,0	-	164,0
Total transactions with owners	**-**	**(38,7)**	**206,7**	**-**	**(4,0)**	**-**	**(17 289,7)**	**(17 125,7)**	**-**	**(17 125,7)**
June 30, 2017 (unaudited)	**2 498,1**	**32 247,5**	**(2 065,2)**	**679,3**	**409,1**	**(21,7)**	**82 186,4**	**115 933,5**	**191,6**	**116 125,1**
December 31, 2017	**2 495,9**	**32 105,5**	**(1 908,1)**	**1 357,0**	**524,0**	**(18,5)**	**86 546,4**	**121 102,2**	**176,6**	**121 278,8**
Effect of adoption of IFRS 9 (Note 2)	-	-	-	261,3	-	-	(319,1)	(57,8)	(1,7)	(59,5)
January 1, 2018 (with IFRS 9 effect) (unaudited)	**2 495,9**	**32 105,5**	**(1 908,1)**	**1 618,3**	**524,0**	**(18,5)**	**86 227,3**	**121 044,4**	**174,9**	**121 219,3**
Net profit	-	-	-	-	-	-	9 152,5	9 152,5	(2,0)	9 150,5
Other comprehensive loss	-	-	-	(2 173,9)	-	(3,1)	-	(2 177,0)	5,3	(2 171,7)
Total comprehensive income for the period	**-**	**-**	**-**	**(2 173,9)**	**-**	**(3,1)**	**9 152,5**	**6 975,5**	**3,3**	**6 978,8**
Dividends declared (Note 25)	-	-	-	-	-	-	(12 320,5)	(12 320,5)	-	(12 320,5)
Share-based payments	-	8,1	31,3	-	102,5	-	-	141,9	-	141,9
Total transactions with owners	**-**	**8,1**	**31,3**	**-**	**102,5**	**-**	**(12 320,5)**	**(12 178,6)**	**-**	**(12 178,6)**
June 30, 2018 (unaudited)	**2 495,9**	**32 113,6**	**(1 876,8)**	**(555,6)**	**626,5**	**(21,6)**	**83 059,3**	**115 841,3**	**178,2**	**116 019,5**

The notes 1-29 form an integral part of these interim condensed consolidated financial statements.

(in millions of Russian rubles, unless otherwise indicated)

1. Organization

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

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

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

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

Name	Principal activities	June 30, 2018	December 31, 2017
		Voting rights, %	Voting rights, %
JSC Central Counterparty National Clearing Centre (former Bank National Clearing Centre JSC) (NCC)	Clearing operations	100%	100%
JSC National Settlement Depository (NSD)	Depository, clearing, repository and settlement services	99,997%	99,997%
JSC National Mercantile Exchange (NAMEX)	Commodities exchange operations	65,08%	65,08%
OJSC Evraziyskaia Trading System Commodity Exchange (ETS)	Commodities exchange operations	60,82%	60,82%
MICEX Finance LLC (MICEX Finance)	Financial activities	100%	100%
MOEX Innovations LLC (MOEX Innovations)	Fintech start-ups, financial activities	100%	100%

NCC performs functions of a clearing organization and central counterparty on the financial market and holds licences for clearing operations and banking operations for non-banking credit institutions - central counterparties issued by the CBR. In November 2017 NCC was assigned a new status of a non-banking credit institution. From the moment of foundation in May 2006 to the assignment of a new status, the NCC functioned as a bank with the name Bank National Clearing Centre JSC.

1. Organization (continued)

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

NAMEX is a commodity exchange operating in Russia.

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

MICEX Finance is established for facilitating financial activities of the Group.

MOEX Innovations concentrates on start-ups development in the fintech sphere.

Moscow Exchange and all subsidiaries are located in Russia, except for ETS which is located in Kazakhstan.

The Group has 1 678 employees as at June 30, 2018 (December 31, 2017: 1 662 employees).

The financial statements approval. Interim Condensed Consolidated Financial Statements of the Group was approved for issue by the Management on August 23, 2018.

2. Basis of Presentation and Significant Accounting Policies

Statement of compliance

These Interim Condensed Consolidated Financial Statements of the Group have been prepared in accordance with the International Financial Reporting Standard IAS 34 "Interim Financial Statements".

Basis of presentation

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

Moscow Exchange and its subsidiaries registered in the Russian Federation maintain their accounting records in accordance with Russian Accounting Standards ("RAS"). Foreign subsidiaries of the Group maintain their accounting records in accordance with the accounting standards of the countries in which they operate.

The financial information does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2017 prepared in accordance with IFRS, such as accounting policies and details of accounts, which have not changed significantly in amount or composition.

(in millions of Russian rubles, unless otherwise indicated)

2. Basis of Presentation and Significant Accounting Policies (continued)

The Russian ruble exchange rates applied in the preparation of these Interim Condensed Consolidated Financial Statements are presented below:

	June 30, 2018	December 31, 2017
USD	62,7565	57,6002
EUR	72,9921	68,8668

The CBR's rate fluctuated significantly from June 30, 2018 to the date of issue of these financial statements: the Russian ruble depreciated by about 7,7% against the US dollar and about 7,1% against Euro.

Significant Accounting Policies

The accounting policies adopted by the Group in the preparation of these Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended December 31, 2017, except the adoption of IFRS 9 "Financial Instruments" effective froma January 1, 2018.

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for reporting periods ending on June 30, 2018:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers (and the related Clarifications)*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2014-2016 Cycle*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*

The adoption of these new and revised Standards and Interpretations (except the adoption of IFRS 9 "Financial Instruments") has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

The effects of the adoption of IFRS 9 "Financial Instruments"

1 January 2018 is the date of initial application of IFRS 9 in accordance with IFRS 9 article 7.2.2. Corresponding information was not restated, as the modified retrospective approach was applied on transition, which allows recognition of differences to be accounted for in the opening retained earnings at the beginning of the period.

Interest income and interest expense

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss (FVTPL) are recognized in 'Interest and other finance income' and 'Interest expense' in the profit or loss using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

2. Basis of Presentation and Significant Accounting Policies (continued)

The effects of the adoption of IFRS 9 "Financial Instruments" (continued)

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Financial assets

All financial assets are measured at fair value at initial recognition, including transaction costs, except for those financial assets classified as at fair value through profit or loss (further – FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost (further – AC) or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- financial assets should be measured at amortised cost if both of the following criteria are met:
    a. financial asset is held within a business model with the objective to collect the contractual cash flows, and
    b. the contractual cash flows of financial asset are solely payments of principal and interest on the principal amount outstanding (SPPI);
- financial assets should be measured at fair value through other comprehensive income (FVTOCI) if both of the following criteria are met:
    a. financial asset is held within a business model with the objective both to collect the contractual cash flows and to sell the financial assets and
    b. the contractual cash flows of financial assets are SPPI;
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models on the basis that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business models do not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has several business models for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

2. Basis of Presentation and Significant Accounting Policies (continued)

The effects of the adoption of IFRS 9 "Financial Instruments" (continued)

The Group considers all relevant information available when making the business model assessment. However, this assessment is performed not on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account the following relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

At initial recognition of a financial asset, the Group determines whether newly recognised financial asset is part of an existing business model or whether it reflects the commencement of a new business model, if the asset does not match the existing business models. The Group reassesses its business models every reporting period to determine whether they have changed or not since the preceding period.

Debt instruments at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on contractual cash flow characteristics of the asset and the Group's business model for managing the asset.
For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest accrued on principal amount outstanding consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is performed in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are not related to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell.

2. Basis of Presentation and Significant Accounting Policies (continued)

The effects of the adoption of IFRS 9 "Financial Instruments" (continued)

The Group does not designate assets at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassification the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on the following financial instruments, not measured at FVTPL:

- due from financial institutions;
- cash and cash equivalents;
- debt investment securities;
- other financial assets subject to credit risk.

No loss allowances for expected credit losses is recognised on equity investments, financial assets arising from CCP activity.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those possible default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

Loss allowance for full lifetime ECL is required for a financial instrument if the credit risk attributable to that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided below.

ECLs are a probability-weighted estimate of the present value of potential credit losses. ECLs are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios.

The Group measures ECLs on an individual basis or on a collective basis for portfolios of debtors that share similar value and economic risk characteristics.

2. Basis of Presentation and Significant Accounting Policies (continued)

The effects of the adoption of IFRS 9 "Financial Instruments" (continued)

The Group does not form any loss allowance on ECLs for CCP activities. The CCP is acting as an intermediary between the parties: i.e. as a seller for each buyer and as a buyer for each seller, so that replacing their contractual relations between each other with relevant contracts with a central counterparty. CCP assets and liabilities are simultaneously reflected in the Group's statement of financial position due to the following:

- the net market value of those deals at the end of each day is equal to zero (if there are no defaulted market participants);
- there are no uncollateralised receivables in case all the obligations are duly fulfilled by the clearing participants.

The risks of non-fulfilment or improper fulfilment of clearing participants obligations on the CCP deals are managed using the following risk-management system measures, organised according to the federal law as of 07.02.2011 №7-FZ "On clearing, clearing activities and the central counterparty":

- setting the requirements for individual and collective clearing collateral to mitigate expected losses in case of non-fulfilment or improper fulfilment of clearing participants obligations;
- forming the CCP's guarantee fund – part of net assets designated according to the Clearing Rules to mitigate possible losses caused by non-fulfilment or improper fulfilment of clearing participants obligations;
- conducting regular stress-tests of the CCP capital adequacy, including the control of statutory ratios calculation;
- limitation of the CCP's liabilities.

Definition of default

Critical to the determination of ECLs is the definition of default. The definition of default is used in measuring the amount of ECLs and in the determination of whether the loss allowance is based on 12-month or lifetime ECLs, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the counterparty has gone bankrupt;
- a third party has filed a claim with the court to call the counterparty bankrupt and it has been accepted for hearing;
- the counterparty is permanently insolvent, i.e. has obligations to the Group that are past due for over 90 days; or
- the borrower's licence has been revoked by the CBR.

2. Basis of Presentation and Significant Accounting Policies (continued)

The effects of the adoption of IFRS 9 "Financial Instruments" (continued)

Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime ECL.

When assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring to the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default that was anticipated for the remaining maturity at the reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

When an asset becomes past due for up to 30 days, and not less than a half of the counterparty's credit ratings issued by international rating agencies declined or internal credit rating declined by 3 grades or more since initial recognition, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECLs.

Probability of default (PD)

Multiple economic scenarios form the basis of determination of the probability of default at initial recognition and for the future. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

To determine PD the Group uses:

- available data from international rating agencies;
- internal ratings if the data mentioned above is unavailable.

The Group allocates its counterparties to a relevant internal rating depending on their credit quality based on quantitative and qualitative information. The historical PD is identified using a migration matrix, where internal ratings are mapped to the rating scales of international rating agencies for those counterparties that are not rated by international rating agencies.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

2. Basis of Presentation and Significant Accounting Policies (continued)

The effects of the adoption of IFRS 9 "Financial Instruments" (continued)

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine whether the modified terms differ substantially from the original contractual terms the Group considers the following qualitative factors:

a. contractual cash flows after modification are no longer SPPI;
b. change in currency;
c. change of counterparty;
d. the extent of change in interest rates;
e. maturity.

If these do not clearly indicate a substantial modification, then quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 5% the Group deems the arrangement is substantially different leading to derecognition.

In the case when the financial asset is derecognised the loss allowance for ECLs is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the eventual occasions where the new asset is considered to be originated-credit impaired. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines whether the credit risk associated with the financial asset has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

2. Basis of Presentation and Significant Accounting Policies (continued)

The effects of the adoption of IFRS 9 "Financial Instruments" (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss. The cumulative gain/loss on equity investment designated as measured at FVTOCI, previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the counterparty does not have assets and/or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

(in millions of Russian rubles, unless otherwise indicated)

2. Basis of Presentation and Significant Accounting Policies (continued)

The effects of the adoption of IFRS 9 "Financial Instruments" (continued)

The table below illustrates the classification and measurement of financial assets and financial liabilities and the corresponding effect on equity and deferred tax under IFRS 9 and IAS 39 at the date of initial application January 1, 2018:

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Additional loss allowance under IFRS 9	Reclassification of carrying amount IFRS 9	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at AC	273 248,6	(5,2)	-	273 243,4
Financial assets at fair value through profit or loss	Financial assets at FVTPL	Financial assets at FVTPL	413,6	-	7 639,4	8 053,0
Due from financial institutions	Loans and receivables	Financial assets at AC	63 606,9	(23,7)	-	63 583,2
Central counterparty financial assets	Loans and receivables (repo) / assets at FVTPL (currency)	Financial assets at AC (repo) / assets at FVTPL (currency)	2 430 083,8	-	-	2 430 083,8
Financial assets at fair value though other comprehensive income	Available-for-sale	Financial assets at FVOCI	215 132,2	-	(7 635,1)	207 497,1
Other financial assets	Loans and receivables	Financial assets at AC	734,9	(49,7)	-	685,2
Balances of market participants	Financial liabilities at AC	Financial liabilities at AC	466 860,2	-	-	466 860,2
Central counterparty financial liabilities	Financial liabilities at AC (repo) / FVTPL (currency)	Financial liabilities at amortised cost (repo) / FVTPL (currency)	2 430 083,8	-	-	2 430 083,8
Distributions payable to holders of securities	Financial liabilities at AC	Financial liabilities at AC	2 507,8	-	-	2 507,8
Margin account	Financial liabilities at AC	Financial liabilities at AC	384,6	-	-	384,6
Other financial liabilities	Financial liabilities at FVTPL (derivatives) / AC (other)	Financial liabilities at FVTPL (derivatives) / AC (other)	2 808,3	-	-	2 808,3
Deferred tax asset	n/a	n/a	243,4	15,7	(0,9)	258,2
Corresponding lines in Equity:						
Investments revaluation reserve	n/a	n/a	1 357,0	270,9	(9,6)	1 618,3
Retained earnings	n/a	n/a	86 546,4	(332,1)	13,0	86 227,3
Non-controlling interest	n/a	n/a	176,6	(1,7)	-	174,9

2. Basis of Presentation and Significant Accounting Policies (continued)

The effects of the adoption of IFRS 9 "Financial Instruments" (continued)

The additional loss allowance recognised upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset (Note 11). The change in measurement category of the different financial assets had no significant impact on their respective carrying amounts on initial application. There were no financial assets or liabilities which the Group elected to designate as at FVTPL at the date of initial application. There were no equity instruments the changes in fair value of which the Group irrevocably elected to present in other comprehensive income.

Reclassification of carrying amount was due to the following:

- movement of equity investments from AFS to FVTPL in the amount of RUB 130,5 million;
- movement of debt instruments with contractual cash flows that are not SPPI from AFS to FVTPL in the amount of RUB 7 508,9 million.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Key sources of estimation uncertainty

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective (for more details refer to Note 2). The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. The Group conducts assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change and so a prospective change to the classification of those assets.

Significant increase of credit risk

As explained in note 2, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account the information listed in Note 2.

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

Impairment of goodwill and other intangible assets

Goodwill is tested for impairment annually (as at December 31) and when there is an indication that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each cash-generating unit (CGU) or group of CGUs to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Useful lives of intangible assets

The Group annually examines the estimated useful life of its intangible assets. When determining the asset's useful life, the factors taken into account include the anticipated use of the asset, its typical life cycle, technical obsolescence, etc.

Based on the analysis of actual useful lives of intangible assets as at January 1, 2018 the Group adjusted the estimates in relation to remaining useful lives of intangible assets. The amendments were applied to the client base and certain types of software and licences. Should the Group not apply these amendments, amortisation of client base for the six-month period ended June 30, 2018 would be RUB 196,6 million lower, amortisation of software and licences for the six-month period ended June 30, 2018 would be RUB 30,7 million higher.

Valuation of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the instrument and volatility and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

(in millions of Russian rubles, unless otherwise indicated)

4. Fee and Commission Income

	Three-Month Period Ended June 30, 2018	Three-Month Period Ended June 30, 2017	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Money market	1 561,6	1 252,8	2 999,8	2 534,8
Securities market	1 147,7	1 002,4	2 318,5	1 795,0
- bonds	*551,3*	*502,1*	*1 172,9*	*819,0*
- equities	*516,1*	*385,1*	*986,1*	*781,9*
- listing and other services	*80,3*	*115,2*	*159,5*	*194,1*
Depository and settlement services	1 099,1	1 000,9	2 145,2	1 991,9
Foreign exchange	1 044,5	964,8	1 970,7	1 921,8
Derivatives	612,8	481,1	1 107,6	978,1
Information services	189,5	191,1	365,8	367,6
Sale of software and technical services	175,6	164,6	344,8	321,1
Other	96,4	19,2	180,5	48,0
Total fee and commission income	**5 927,2**	**5 076,9**	**11 432,9**	**9 958,3**

5. Interest and Other Finance Income

	Three-Month Period Ended June 30, 2018	Three-Month Period Ended June 30, 2017	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Income/(loss) on securities at fair value through profit or loss				
Interest income	38,0	-	87,0	-
Net gain/(loss) on securities at fair value through profit or loss	11,9	(0,9)	16,7	(4,2)
Total gain/(loss) on securities at fair value through profit or loss	**49,9**	**(0,9)**	**103,7**	**(4,2)**
Interest income on financial assets other than at fair value through profit or loss				
Interest income on financial assets at fair value through other comprehensive income	3 231,7	-	6 351,3	-
Interest income on investments available-for-sale	-	3 051,2	-	6 727,1
Interest on cash and cash equivalents and due from financial institutions	1 438,0	636,7	2 695,3	1 501,8
Total interest income on financial assets other than at fair value through profit or loss	**4 669,7**	**3 687,9**	**9 046,6**	**8 228,9**
Total interest and other finance income	**4 719,6**	**3 687,0**	**9 150,3**	**8 224,7**

(in millions of Russian rubles, unless otherwise indicated)

6. Interest Expense

	Three-Month Period Ended June 30, 2018	Three-Month Period Ended June 30, 2017	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Interest expense on interbank loans and deposits	24,5	251,6	78,1	383,0
Interest expense on repo agreements and other	38,2	2,8	69,0	13,3
Interest expense on stress collateral	5,1	15,3	7,4	137,2
Total interest expense	**67,8**	**269,7**	**154,5**	**533,5**

7. Foreign Exchange Gains Less Losses

	Three-Month Period Ended June 30, 2018	Three-Month Period Ended June 30, 2017	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Foreign exchange swaps	(544,3)	447,6	(963,7)	813,6
Net other foreign exchange gains	34,7	246,9	88,4	160,6
Total foreign exchange gains less losses	**(509,6)**	**694,5**	**(875,3)**	**974,2**

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

8. Other Operating Income

	Three-Month Period Ended June 30, 2018	Three-Month Period Ended June 30, 2017	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Movement in allowance for expected credit losses (Note 11)	113,0	-	137,4	-
Income from lease	1,5	2,1	3,0	4,1
Gain on disposal of property, equipment and intangible assets	-	0,4	-	0,4
Other income	27,6	5,4	33,2	12,7
Total other operating income	**142,1**	**7,9**	**173,6**	**17,2**

(in millions of Russian rubles, unless otherwise indicated)

9. Administrative and Other Expenses

	Three-Month Period Ended June 30, 2018	Three-Month Period Ended June 30, 2017	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Amortisation of intangible assets (Note 20)	500,6	358,7	974,7	717,7
Depreciation of property and equipment (Note 19)	333,8	366,6	699,5	722,0
Equipment and intangible assets maintenance	288,7	272,5	563,8	555,8
Market makers fees	132,8	121,4	272,9	241,6
Taxes, other than income tax	138,0	135,7	257,7	254,6
Professional services	147,6	107,4	248,7	190,7
Rent and office maintenance	117,0	115,0	229,3	228,9
Registrar and foreign depositary services	75,2	74,1	134,7	140,3
Advertising and marketing costs	87,4	54,9	128,9	101,4
Information services	56,1	46,4	110,6	94,3
Communication services	26,7	32,4	51,5	65,3
Business trip expenses	22,0	18,7	34,7	28,3
Loss on disposal of property, equipment and intangible assets	22,7	-	22,7	-
Security expenses	7,4	7,3	14,8	14,6
Charity	9,0	8,5	12,9	10,7
Transport expenses	4,7	3,6	8,6	7,8
Impairment of other assets	-	7,2	-	8,9
Other	6,6	5,8	31,1	32,5
Total administrative and other expenses	**1 976,3**	**1 736,2**	**3 797,1**	**3 415,4**

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

10. Personnel Expenses

	Three-Month Period Ended June 30, 2018	Three-Month Period Ended June 30, 2017	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Employees benefits except for share-based payments	1 226,5	1 192,5	2 531,0	2 412,9
Payroll related taxes	219,7	223,6	548,0	540,7
Share-based payment expense on equity settled instruments	75,5	55,7	141,9	114,6
Share-based payment expense on cash settled instruments	4,6	6,1	12,5	11,9
Total personnel expenses	**1 526,3**	**1 477,9**	**3 233,4**	**3 080,1**

(in millions of Russian rubles, unless otherwise indicated)

10. Personnel Expenses (continued)

Rights to purchase equity instruments granted to some employees give to holders a choice either to only purchase the full number of shares at exercise price or also to sell back shares at the market price for the same ruble value. A majority of the rights vest when the employee continues to be employed by the Group at the vesting date. The maximum contractual term of the contracts is four years. The maximum contractual term of the contracts granted beginning from 2017 is three and a half 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 2017 the new program of cash settled instruments was introduced. The amount of cash consideration to be received by the employees is linked to the future market price of the Group's shares. 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 three and a half years. The fair value of the rights is remeasured at each reporting date using a binomial model.

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

	Number	**WAEP**
Outstanding at January 1, 2017	**31 133 342**	**74,60**
Granted	10 141 180	112,85
Exercised (Note 24)	(3 041 152)	64,17
Forfeited	(666 667)	64,45
Redeemed	(2 542 184)	64,17
Outstanding at June 30, 2017	**35 024 519**	**87,53**
Outstanding at January 1, 2018	**42 924 517**	**93,16**
Granted	11 400 000	115,49
Exercised (Note 24)	(460 043)	78,88
Forfeited	(1 050 000)	113,03
Redeemed	(923 289)	78,88
Outstanding at June 30, 2018	**51 891 185**	**98,04**

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

201 920 cash settled instruments were granted during the six-month period ended June 30, 2018 (June 30, 2017: 507 530). The weighted average remaining contractual life of outstanding instruments is 1,45 years (June 30, 2017: 1,83 years).

75 148 cash settled instruments were exercised during the six-month period ended June 30, 2018 with WAEP of RUB 119,21 (June 30, 2017: 0).

The number of equity rights exercisable as at June 30, 2018 is 20 604 901 with WAEP of RUB 75,31 (December 31, 2017: 13 083 329 with WAEP of RUB 74,09).

(in millions of Russian rubles, unless otherwise indicated)

10. Personnel Expenses (continued)

The weighted average fair value of equity rights granted during the six-month period ended June 30, 2018 was RUB 18,09 (June 30, 2017: RUB 22,56). The weighted average fair value of cash settled rights granted during the six-month period ended June 30, 2018 was RUB 101,57 (June 30, 2017: RUB 94,26).

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

	June 30, 2018		December 31, 2017	
Exercise price	**Number outstanding**	**Weighted average remaining contractual life**	**Number outstanding**	**Weighted average remaining contractual life**
46,9 - 62,0	166 667	-	166 667	-
62,0 - 77,0	16 733 334	-	17 066 668	0,13
77,0 - 92,0	2 950 004	0,25	4 000 002	0,40
107,0 - 122,0	32 041 180	1,53	21 691 180	1,72
	51 891 185	**0,96**	**42 924 517**	**0,96**

The following table lists the inputs to the models used:

	Equity settled		Cash settled	
Assumption	**Six-Month Period Ended June 30, 2018**	**Six-Month Period Ended June 30, 2017**	**Six-Month Period Ended June 30, 2018**	**Six-Month Period Ended June 30, 2017**
Expected volatility	24,6%	22,8%	24,7%	22,3%
Risk-free interest rate	6,8%	8,1%	6,9%	8,0%
Weighted average share price, RUB	116,39	113,99	109,75	105,06
Dividend yield	6,4%	4,8%	6,4%	4,7%

The volatility assumption is based on implied volatilities of quoted shares of similar stock exchanges. Equity settled instruments are measured at grant date and cash settled instruments are remeasured at each reporting date.

(in millions of Russian rubles, unless otherwise indicated)

11. Movement in Allowance for Expected Credit Losses

The information on the movement in the allowance for expected credit losses of the Group for the six-month periods ended June 30, 2018 and June 30, 2017, is provided below.

	Cash and cash equivalents	Due from credit institutions	Financial assets at fair value through other comprehensive income	Other financial assets	Total
Note	*14*	*16*		*21*	
December 31, 2016	**-**	**-**	**-**	**41,7**	**41,7**
Net charge for the period	-	-	-	8,9	8,9
Write-offs	-	-	-	(1,3)	(1,3)
June 30, 2017	**-**	**-**	**-**	**49,3**	**49,3**
December 31, 2017	**-**	**-**	**-**	**23,3**	**23,3**
Effect of adoption of IFRS 9 (Note 2)	5,2	23,7	338,6	49,7	417,2
January 1, 2018 (with IFRS 9 effect)	**5,2**	**23,7**	**338,6**	**73,0**	**440,5**
Net (reversal) / charge for the period	(1,0)	(17,2)	(122,7)	3,5	(137,4)
Write-offs	-	-	-	(0,1)	(0,1)
June 30, 2018	**4,2**	**6,5**	**215,9**	**76,4**	**303,0**

(in millions of Russian rubles, unless otherwise indicated)

11. Movement in Allowance for Expected Credit Losses (continued)

The information on the movement in the allowance for expected credit losses of the Group for the three-month periods ended June 30, 2018 and June 30, 2017, is provided below.

	Cash and cash equivalents	**Due from credit institutions**	**Financial assets at fair value through other comprehensive income**	**Other financial assets**	**Total**
Note	*14*	*16*		*21*	
March 31, 2017	**-**	**-**	**-**	**43,1**	**43,1**
Net charge for the period	-	-	-	7,2	7,2
Write-offs	-	-	-	(1,0)	(1,0)
June 30, 2017	**-**	**-**	**-**	**49,3**	**49,3**
March 31, 2018	**4,2**	**0,4**	**336,2**	**75,3**	**416,1**
Net (reversal) / charge for the period	-	6,1	(120,3)	1,2	(113,0)
Write-offs	-	-	-	(0,1)	(0,1)
June 30, 2018	**4,2**	**6,5**	**215,9**	**76,4**	**303,0**

Total net reversal of the allowance for expected credit losses of the Group for the six-month period ended June 30, 2018 and for the three-month period ended June 30, 2018 is included in other operating income within Interim Condensed Consolidated Statement of Profit or Loss (Note 8). Net charge for the six-month period ended June 30, 2017 and for the three-month period ended June 30, 2017 is included in administrative and other expenses (Note 9).

As at June 30, 2018 and January 1, 2018, the allowance for expected credit losses of financial assets at fair value through other comprehensive income is included in investments revaluation reserve. The movement of the allowance is reflected within Interim Condensed Consolidated Statement of Comprehensive Income.

As at June 30, 2018 and January 1, 2018, cash and cash equivalents, due from credit institutions and financial assets at fair value through other comprehensive income are determined to have low credit risk, and therefore refer to Stage 1 assets, and the allowance for expected credit losses is measured as an allowance equal to 12-month expected credit losses. As at June 30, 2018, the allowance for expected credit losses of other financial assets consists of an allowance equal to 12-month expected credit losses in the amount of RUB 42,9 mln for Stage 1 assets and an allowance equal to lifetime expected credit losses in the amount of RUB 33,5 mln for Stage 3 assets (January 1, 2018: RUB 32,7 mln for Stage 1 assets, RUB 40,3 mln for Stage 3 assets).

12. Other Operating Expenses

Other operating expenses consist of RUB 856,9 million due to an operational error and RUB 873,0 million provision on a legal case. Further details are provided below.

A professional participant in the money market defaulted. During the default management procedure a partial release of collateral was triggered due to an operational error. The remaining collateral on the participant's accounts within the Group was insufficient to cover its corresponding liabilities to the Group as a result RUB 856,9 million were paid out from the Group's funds and the related amount receivable from the participant was written off as bad debt (Note 23). The Group will pursue all feasible legal solutions to resolve the matter. The Group implemented a set of measures to preclude the recurrence of such an operational event in the future.

In December 2015, a brokerage company defaulted on its liabilities to the Group that were foreclosed via standard default management procedures explicitly stipulated by the Law "On clearing, clearing activities and the central counterparty" to cover the liabilities to bona fide market and clearing participants. In September 2016, the broker was declared bankrupt. In October 2017, the bankruptcy manager filed a lawsuit with the arbitration court, seeking to declare the deals on foreclosure as void. In March 2018, the court of first appearance ruled to fulfill plaintiffs' demands. The Group responded with an appeal. The CBR filed the similar appeal against the court of first appearance' decision. In July 2018, the court of appeals ruled against the joint complaint of the Group and the CBR, fulfilling plaintiffs' demands to return RUB 873,0 million to the general mass of bankrupt's estate. At the same time, the court recognized the Group's right to claim the abovementioned amount from the general mass of bankrupt's estate. The Group filed a cassation against the court of appeals' decision. The Group is ready to apply to the Supreme Court if necessary. The Group is confident in its legal positon. A conservative approach to the case was applied for these interim condensed consolidated financial statements. Therefore, the provision in the full amount of plaintiffs' demands was accrued.

13. Income Tax

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

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

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

(in millions of Russian rubles, unless otherwise indicated)

13. Income Tax (continued)

Reconciliation of income tax expense and accounting profit for the six-month periods ended June 30, 2018 and 2017, are explained below:

	Three-Month Period Ended June 30, 2018	Three-Month Period Ended June 30, 2017	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Profit before income tax	**5 803,9**	**6 606,6**	**11 290,4**	**12 794,8**
Tax at the statutory tax rate (20%)	1 160,8	1 321,4	2 258,1	2 559,0
Tax effect of income taxed at rates different from the prime rate	(82,8)	(83,7)	(181,5)	(178,0)
Non-deductible expenses for tax purposes	(139,0)	69,4	63,3	116,2
Income tax expense	**939,0**	**1 307,1**	**2 139,9**	**2 497,2**
Current income tax expense	(157,1)	(1 525,1)	1 230,9	795,6
Deferred taxation movement due to origination and reversal of temporary differences	1 096,9	2 833,7	910,9	1 704,1
Deferred taxation movement due to tax losses carried forward	(0,8)	(1,5)	(1,9)	(2,5)
Income tax expense	**939,0**	**1 307,1**	**2 139,9**	**2 497,2**

	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Beginning of the period – deferred tax assets (with IFRS 9 effect)	**258,2**	**1 776,5**
Beginning of the period – deferred tax liabilities	**(2 943,3)**	**(3 165,6)**
Changes in deferred income tax balances recognised in other comprehensive income	543,3	182,0
Change in deferred income tax balances recognised in profit or loss	(909,0)	(1 701,6)
Effect of movements in exchange rates	-	0,3
End of the period - deferred tax assets	**73,5**	**23,7**
End of the period - deferred tax liabilities	**(3 124,3)**	**(2 932,1)**

(in millions of Russian rubles, unless otherwise indicated)

14. Cash and Cash Equivalents

The information on cash and cash equivalents as at June 30, 2018, January 1, 2018, and December 31, 2017, is provided below:

	June 30, 2018	January 1, 2018 (with IFRS 9 effect)	December 31, 2017
Correspondent accounts and overnight deposits with banks	244 618,1	209 939,5	209 939,5
Balances with the CBR	28 132,8	63 304,2	63 304,2
Receivables on broker and clearing operations	68,0	-	-
Cash on hand	3,9	4,9	4,9
Total cash and cash equivalents	**272 822,8**	**273 248,6**	**273 248,6**
Less allowance for impairment (Note 11)	(4,2)	(5,2)	-
Total cash and cash equivalents	**272 818,6**	**273 243,4**	**273 248,6**

The information on cash and cash equivalents as at June 30, 2017, and December 31, 2016, is provided below:

	June 30, 2017	December 31, 2016
Correspondent accounts and overnight deposits with banks	447 326,3	356 741,6
Balances with the CBR	13 138,5	23 693,7
Receivables on broker and clearing operations	17,7	77,3
Cash on hand	6,6	4,0
Total cash and cash equivalents	**460 489,1**	**380 516,6**

15. Financial Assets at Fair Value through Profit or Loss

	June 30, 2018	January 1, 2018 (with IFRS 9 effect)	December 31, 2017
Eurobonds issued by Russian companies	2 928,1	7 477,7	-
Bonds issued by Russian companies	387,9	31,2	-
Shares issued by Russian companies	119,2	119,3	-
Derivative financial instruments	24,4	413,6	413,6
Shares issued by foreign companies	11,6	11,2	-
Bonds issued by Russian banks	5,3	-	-
Total financial assets at fair value through profit or loss	**3 476,5**	**8 053,0**	**413,6**

(in millions of Russian rubles, unless otherwise indicated)

16. Due from Financial Institutions

	June 30, 2018	January 1, 2018 (with IFRS 9 effect)	December 31, 2017
Term deposits with the CBR	48 768,9	-	-
Reverse repo receivables from financial institutions	47 804,2	46 935,2	46 935,2
Interbank loans and term deposits	6 963,3	7 345,5	7 345,5
Correspondent accounts and deposits in precious metals	3 565,8	3 315,0	3 315,0
Receivables on broker and clearing operations	2,5	0,6	0,6
Mandatory cash balances with the CBR (restricted)	-	6 010,6	6 010,6
Total due from financial institutions	**107 104,7**	**63 606,9**	**63 606,9**
Less allowance for impairment (Note 11)	(6,5)	(23,7)	-
Total due from financial institutions	**107 098,2**	**63 583,2**	**63 606,9**

As at June 30, 2018, interbank loans and term deposits include restricted amounts on correspondent account with Euroclear Bank S.A./N.V., Brussels, which relate to foreign securities (coupon and principal repayments) owned by the depositary client, in the amount of RUB 6 724,8 million (December 31, 2017 and January 1, 2018: RUB 6 144,1 million). Balances of market participants include balances due to this client in respect of those securities in the amount of RUB 6 724,8 million (December 31, 2017 and January 1, 2018: RUB 6 144,1 million).

(in millions of Russian rubles, unless otherwise indicated)

17. Central Counterparty Financial Assets and Liabilities

	June 30, 2018	January 1, 2018 / December 31, 2017
Repo transactions	2 479 188,2	2 428 117,0
Currency transactions	3 296,5	1 966,8
Total central counterparty financial assets and liabilities	**2 482 484,7**	**2 430 083,8**

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

As at June 30, 2018, January 1, 2018 and December 31, 2017, none of these assets were past due.

CCP financial assets and liabilities under currency transactions represent fair values of overnight currency deals. Gross claims and liabilities with individual counterparties are offset in accordance with IAS 32.

18. Financial Assets at Fair Value though Other Comprehensive Income

	June 30, 2018	January 1, 2018 (with IFRS 9 effect)	December 31, 2017
Bonds issued by Russian Federation	128 520,9	119 453,3	-
Bonds issued by foreign companies	37 958,6	36 051,5	-
Bonds issued by CBR	30 371,5	9 062,5	-
Bonds issued by Russian companies	21 511,1	21 255,1	-
Bonds issued by Russian banks	20 146,2	21 674,7	-
Total financial assets at fair value through other comprehensive income	**238 508,3**	**207 497,1**	**-**

(in millions of Russian rubles, unless otherwise indicated)

19. Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Construction in progress	Total
Cost					
December 31, 2016	**219,9**	**5 972,2**	**6 295,0**	**51,5**	**12 538,6**
Additions	-	-	263,2	4,6	267,8
Reclassification	-	(8,8)	43,5	(34,7)	-
Disposals	-	-	(6,3)	-	(6,3)
Effect of movements in exchange rates	0,1	0,8	0,2	-	1,1
June 30, 2017	**220,0**	**5 964,2**	**6 595,6**	**21,4**	**12 801,2**
December 31, 2017 / January 1, 2018	**219,3**	**5 863,1**	**6 799,2**	**8,8**	**12 890,4**
Additions	-	-	123,6	-	123,6
Reclassification	-	-	4,2	(4,2)	-
Disposals	-	-	(156,4)	-	(156,4)
Effect of movements in exchange rates	0,7	4,0	0,7	-	5,4
June 30, 2018	**220,0**	**5 867,1**	**6 771,3**	**4,6**	**12 863,0**
Accumulated depreciation					
December 31, 2016	**-**	**1 353,1**	**3 479,1**	**-**	**4 832,2**
Charge for the period	-	59,5	662,5	-	722,0
Disposals	-	-	(6,3)	-	(6,3)
Reclassification	-	(4,3)	4,3	-	-
Effect of movements in exchange rates	-	0,1	0,1	-	0,2
June 30, 2017	**-**	**1 408,4**	**4 139,7**	**-**	**5 548,1**
December 31, 2017 / January 1, 2018	**-**	**1 453,0**	**4 801,2**	**-**	**6 254,2**
Charge for the period	-	58,6	640,9	-	699,5
Disposals	-	-	(155,4)	-	(155,4)
Effect of movements in exchange rates	-	0,7	0,6	-	1,3
June 30, 2018	**-**	**1 512,3**	**5 287,3**	**-**	**6 799,6**
Net book value					
December 31, 2017 / January 1, 2018	**219,3**	**4 410,1**	**1 998,0**	**8,8**	**6 636,2**
June 30, 2018	**220,0**	**4 354,8**	**1 484,0**	**4,6**	**6 063,4**

As at June 30, 2018, historical cost of fully depreciated property and equipment amounts to RUB 2 863,7 million (December 31, 2017 and January 1, 2018: RUB 2 254,2 million).

(in millions of Russian rubles, unless otherwise indicated)

20. Intangible Assets

	Software and licenses	Client base	Intangible assets development	Total
Cost				
December 31, 2016	**3 752,1**	**19 606,7**	**549,6**	**23 908,4**
Additions	397,1	-	146,8	543,9
Reclassification	185,9	-	(185,9)	-
June 30, 2017	**4 335,1**	**19 606,7**	**510,5**	**24 452,3**
December 31, 2017 / January 1, 2018	**4 916,4**	**19 606,7**	**613,9**	**25 137,0**
Additions	692,5	-	(62,8)	629,7
Reclassification	144,6	-	(144,6)	-
Disposals	(33,2)	-	(19,6)	(52,8)
Effect of movements in exchange rates	0,1	-	-	0,1
June 30, 2018	**5 720,4**	**19 606,7**	**386,9**	**25 714,0**
Accumulated amortisation and impairment				
December 31, 2016	**1 225,1**	**4 325,4**	**-**	**5 550,5**
Charge for the period	326,1	391,6	-	717,7
June 30, 2017	**1 551,2**	**4 717,0**	**-**	**6 268,2**
December 31, 2017 / January 1, 2018	**1 719,4**	**5 109,7**	**-**	**6 829,1**
Charge for the period	386,5	588,2	-	974,7
Disposals	(29,5)	-	-	(29,5)
Effect of movements in exchange rates	0,2	-	-	0,2
June 30, 2018	**2 076,6**	**5 697,9**	**-**	**7 774,5**
Net book value				
December 31, 2017 / January 1, 2018	**3 197,0**	**14 497,0**	**613,9**	**18 307,9**
June 30, 2018	**3 643,8**	**13 908,8**	**386,9**	**17 939,5**

(in millions of Russian rubles, unless otherwise indicated)

21. Other Assets

	June 30, 2018	January 1, 2018 (with IFRS 9 effect)	December 31, 2017
Other financial assets:			
Receivables on services rendered and other operations	805,4	758,2	758,2
Less allowance for impairment (Note 11)	(76,4)	(73,0)	(23,3)
Total other financial assets	**729,0**	**685,2**	**734,9**
Other non-financial assets:			
Precious metals	944,7	2 539,0	2 539,0
Prepaid expenses	359,2	293,4	293,4
Non-current assets prepaid	97,6	179,2	179,2
Taxes receivable other than income tax	25,4	57,5	57,5
Other	11,4	14,9	14,9
Total other assets	**2 167,3**	**3 769,2**	**3 818,9**

22. Balances of Market Participants

	June 30, 2018	January 1, 2018 / December 31, 2017
Accounts of clearing participants	472 359,5	408 127,6
Other current and settlement accounts	48 895,0	41 119,4
Risk-covering funds	6 213,7	6 298,6
Stress collateral	5 458,1	5 460,6
Accounts of clearing participants in precious metals	4 510,4	5 854,0
Total balances of market participants	**537 436,7**	**466 860,2**

Accounts of clearing participants include margins deposited by clearing participants. The purpose of margins is to support clearing settlements on the market and to cover risks arising from open positions of market participants, including operations of market participants, where the Group acts as a central counterparty. If an initial margin requirement exceeds the collateral posted by a market participant in the guarantee fund, the participant is required to cover the deficit by posting additional margin for the unsettled trades or to reduce the open position to an appropriate level. The margins is payable to a market participant when it closes its positions. The Group places guarantee fund amounts on current accounts and deposits with reputable banks or repo receivables (Notes 14, 16).

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

(in millions of Russian rubles, unless otherwise indicated)

22. Balances of Market Participants (continued)

Stress collateral is an additional individual clearing collateral used on foreign exchange, securities and derivative markets. Stress collateral is calculated based on the volume of risk on transactions with partial collateral concluded by the clearing participants with the Central Counterparty. Requirements for depositing stress collateral arise for clearing participants who have average daily positions in excess of positions of other participants in the relevant market. NCC is obliged to pay an interest to the clearing participants for the right to use funds deposited as stress collateral.

The risk-covering funds comprise contributions deposited by market participants. The purpose of these funds is to provide additional insurance to the market participants in respect of the ability of the Group to guarantee proper settlements of open positions in case of a market participant default. The minimum contribution amount per one participant is determined by the NCC Supervisory Board and it is approved by the Derivatives Market Committee, the Currency Market Committee, the Securities Market Committee and the Securities Lending & REPO Committee. Risk-covering funds amounts are only used to cover the deficit if a margin posted by a trading participant is not sufficient to cover its losses. Cash received from the market participants in the risk-covering funds is placed with top-rated banks (Notes 14, 16).

23. Other Liabilities

	June 30, 2018	January 1, 2018 / December 31, 2017
Other financial liabilities		
Payables to employees	1 403,8	2 163,2
Trade and other payables	448,3	427,6
Tax agent liabilities regarding distributions payable to holders of securities	147,6	211,1
Derivative financial liabilities	128,5	6,3
Dividends payable	0,2	0,1
Total other financial liabilities	**2 128,4**	**2 808,3**
Other non-financial liabilities		
Provision (Note 12)	873,0	-
Advances received	336,8	257,5
Deferred commission income	224,9	533,9
Taxes payable, other than income tax	164,5	105,7
Other	-	5,8
Total other liabilities	**3 727,6**	**3 711,2**

The movement of provision during the six-months period ended June 30, 2018 is provided below:

	Six-Month Period Ended June 30, 2018
Beginning of the period	**-**
Net charge for the period (Note 12)	1 729,9
Write-offs (Note 12)	(856,9)
End of the period	**873,0**

(in millions of Russian rubles, unless otherwise indicated)

24. Share Capital and Share Premium

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

	Ordinary shares issued and fully paid (number of shares)	Treasury shares (number of shares)
December 31, 2016	**2 278 636 493**	**(33 424 960)**
Exercised equity instruments (Note 10)	-	3 041 152
June 30, 2017	**2 278 636 493**	**(30 383 808)**
December 31, 2017	**2 276 401 458**	**(28 072 870)**
Exercised equity instruments (Note 10)	-	460 043
June 30, 2018	**2 276 401 458**	**(27 612 827)**

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

As at June 30, 2018 and December 31, 2017, the number of authorized shares is 12 095 322 151.

As at July 7, 2017 changes to the Charter of Moscow Exchange came into force. Changes included share reduction through the redemption of 2 235 035 treasury shares with nominal value of 1 RUB each. Share capital reduction was approved by the Annual General Shareholders Meeting on April 27, 2017. The treasury shares were acquired as a result of obligatory buy-out during the merge of CJSC MICEX Stock Exchange and LLC ME Technology with the parent company.

25. Retained Earnings

During the six-month period ended June 30, 2018 the Group declared and paid dividends for the year ended December 31, 2017, to the owners of the parent of RUB 12 320,5 million. The amount of dividends per share is RUB 5,47 per ordinary share. Taking into account interim dividends for the six-month period ended 30 June 2017, declared and paid to the owners of the parent in the amount of RUB 5 607,4 million, or RUB 2,49 per ordinary share, the total amount of dividends for the year ended December 31, 2017 declared reaches RUB 17 928,0 million, or RUB 7,96 per ordinary share (for the year ended December 31, 2016: RUB 17 289,7 million; dividends per share: RUB 7,68).

The Group's distributable reserves are limited to the amount of reserves reported in the statutory financial statements of the Group members. Non-distributable reserves comprise a reserve fund, which is created according to the statutory regulations, to cover risks, including future losses and other unforeseen risks and contingencies, as well as funds of NCC required to comply with regulations of CBR relating to CCP activities.

(in millions of Russian rubles, unless otherwise indicated)

26. Earnings per Share

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

	Three-Month Period Ended June 30, 2018	**Three-Month Period Ended June 30, 2017**	**Six-Month Period Ended June 30, 2018**	**Six-Month Period Ended June 30, 2017**
Net profit attributable to ordinary equity holders of the parent	**4 867,7**	**5 300,7**	**9 152,5**	**10 298,3**
Weighted average number of shares	**2 248 782 138**	**2 247 408 628**	**2 248 626 545**	**2 246 589 068**
Effect of dilutive share options	7 971 429	9 407 993	8 159 649	10 741 385
Weighted average number of shares adjusted for the effect of dilution	**2 256 753 567**	**2 256 816 621**	**2 256 786 194**	**2 257 330 453**
Basic earnings per share, RUB	2,16	2,36	4,07	4,58
Diluted earnings per share, RUB	2,16	2,35	4,06	4,56

27. Operating Segments

The Group distinguishes the following operating segments for management purposes depending on the types of products and services:

Operating segment **"Trading services"** includes the Group's trading services in foreign exchange, securities, derivatives and money markets, listing and other trading services.

In the **Foreign Exchange Market** of Moscow Exchange spot and swap transactions are performed with different maturities in the following currencies: USD, EUR, CNY, HKD, GBP, CHF, UAH, KZT and BYR. Deliverable forward contracts for currency pairs are also traded in the foreign exchange market, and transactions with precious metals are performed (gold and silver).

In the **Money Market** Moscow Exchange provides repo services with shares and bonds of the following types: repo with the CCP, including repo with General Collateral Certificates with CCP (GCC-repo), inter-dealer repo, direct repo with the CBR. Participants can also perform depositary-credit operations, in particular, funds placement auctions on bank deposits.

In the **Securities Market** of Moscow Exchange primary and secondary trades in shares, Russian government bonds (OFZ), municipal and corporate bonds, foreign state and corporate eurobonds, depositary receipts, fund shares, ETFs are performed.

In the **Derivatives Market** of Moscow Exchange the following derivative instruments are traded: futures contracts on indices, Russian and foreign shares, Russian government bonds (OFZ) and eurobonds Russia-30, currency pairs, interest rates, precious metals, crude oil and sugar, and option contracts on futures.

Listing services – inclusion and maintenance of securities in the List of securities admitted to on-exchange trading.

27. Operating Segments (continued)

Operating segment **"Clearing"** includes mainly CCP clearing services and other clearing services.

The CCP guarantees stability in the serviced market segments through the risk-management system implementation, and provides clearing services to the market participants. The CCP guarantees that all obligations to all non-defaulting parties of the contracts signed with the CCP, regardless of whether obligations to the CCP are met or not, are fulfilled.

Operating segment **"Depositary"** includes depositary and settlement services provided to participants in the on-exchange and OTC markets, OTC transaction registration services (repository services), collateral management services and information services.

Operating segment **"Other services"** includes the Group's results from information products, software and technical services provision and unallocated income and expense.

Software, technical and information services include a wide range of professional instruments used for access to the Exchange markets, electronic trade based on modern exchange trade technologies, real time market data, trading results data and indices.

Less than 1% of the Group's income from external clients is earned outside of the Russian Federation. Less than 1% of the Group's non-current assets are situated outside of the Russian Federation. The business of the Group on the territory of the Republic of Kazakhstan does not have any significant influence on the financial statements of the Group. Therefore, it is not distinguished as a separate operating segment.

Financial results of the operating segments are defined before the income tax expense. Therefore, the income tax is not allocated to operating segments.

It became feasible to allocate operating profits to operating segments due to the introduction of the ERP system.

Segment reports and the segment financial results provided to Management of the Group for analysis are prepared according to the International Financial Reporting Standards and are adjusted for intersegment transfers. Management of the Group evaluates the segment financial results, using the segment total income and operating profit figures, taking into account differences in products and services of different segments.

(in millions of Russian rubles, unless otherwise indicated)

27. Operating Segments (continued)

The information on income and expenses of the Group broken down into operating segments for the six-month periods ended June 30, 2018 and June 30, 2017, is provided below.

	Six-Month Period Ended June 30, 2018				
	Trading services	**Clearing**	**Depositary**	**Other services**	**Total**
INCOME					
Commission income	4 626,5	3 905,7	2 232,6	668,1	11 432,9
Net interest and other finance income*	3 170,2	4 289,9	984,2	-	8 444,3
Other operating income	55,8	58,1	8,8	50,9	173,6
Total income	**7 852,5**	**8 253,7**	**3 225,6**	**719,0**	**20 050,8**
EXPENSES					
Personnel expenses	(1 525,6)	(487,1)	(978,3)	(242,4)	(3 233,4)
Administrative and other expenses,	(1 923,7)	(523,5)	(1 071,7)	(278,2)	(3 797,1)
Incl. depreciation and amortisation	*(869,1)*	*(200,9)*	*(546,1)*	*(58,1)*	*(1 674,2)*
Total expenses before other operating expenses	**(3 449,3)**	**(1 010,6)**	**(2 050,0)**	**(520,6)**	**(7 030,5)**
Total profit before other operating expenses and tax	**4 403,2**	**7 243,1**	**1 175,6**	**198,4**	**13 020,3**

* including net gain on financial assets at FVOCI and net financial result from foreign exchange

	Six-Month Period Ended June 30, 2017				
	Trading services	**Clearing**	**Depositary**	**Other services**	**Total**
INCOME					
Commission income	4 077,8	3 184,4	2 036,2	659,9	9 958,3
Net interest and other finance income**	3 386,9	4 819,6	1 108,3	-	9 314,8
Other operating income	-	-	-	17,2	17,2
Total income	**7 464,7**	**8 004,0**	**3 144,5**	**677,1**	**19 290,3**
EXPENSES					
Personnel expenses	(1 363,3)	(461,3)	(977,3)	(278,2)	(3 080,1)
Administrative and other expenses,	(1 697,2)	(443,0)	(993,7)	(281,5)	(3 415,4)
Incl. depreciation and amortisation	*(722,9)*	*(207,0)*	*(425,2)*	*(84,6)*	*(1 439,7)*
Total expenses	**(3 060,5)**	**(904,3)**	**(1 971,0)**	**(559,7)**	**(6 495,5)**
Total profit before tax	**4 404,2**	**7 099,7**	**1 173,5**	**117,4**	**12 794,8**

** including net gain on investments available-for sale and net financial result from foreign exchange

(in millions of Russian rubles, unless otherwise indicated)

28. Transactions with Related Parties

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

(a) Transactions with key management

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

Included in the Interim Condensed Consolidated Statement of Financial Position are the following amounts that arose on transactions with key management personnel:

	June 30, 2018	**January 1, 2018 / December 31, 2017**
Other liabilities	219,2	501,6
Share-based payments	359,5	309,0

Included in the Interim Condensed Consolidated Statement of Profit or Loss are the following amounts that arose due to transactions with key management personnel:

	Three-Month Period Ended June 30, 2018	**Three-Month Period Ended June 30, 2017**	**Six-Month Period Ended June 30, 2018**	**Six-Month Period Ended June 30, 2017**
Short-term employee benefits	70,5	91,5	270,0	216,5
Share-based payment expense on equity settled instruments	33,5	39,9	58,1	62,8
Long-term employee benefits	25,6	11,8	49,3	45,8
Total remuneration of key management personnel	**129,6**	**143,2**	**377,4**	**325,1**

(in millions of Russian rubles, unless otherwise indicated)

28. Transactions with Related Parties (continued)

(b) Transactions with government-related entities

As at June 30, 2018 the Russian Federation exercises significant influence over Moscow Exchange.

In the ordinary course of business the Group provides trading, clearing and depositary services to government-related entities, places funds with government-related banks and bonds issued by the Russian Federation and government-related entities. According to p.26 (b) of IAS 24 the Group discloses the following significant outstanding balances and financial results on operations with government-related entities as at June 30, 2018, January 1, 2018 and December 31, 2017, and for the six-month periods ended June 30, 2018 and June 30, 2017:

	June 30, 2018	January 1, 2018 (with IFRS 9 effect)	December 31, 2017
ASSETS			
Cash and cash equivalents	129 201,6	185 947,8	185 947,8
Financial assets at fair value through profit or loss	388,0	31,2	-
Due from financial institutions	52 153,3	7 190,8	7 190,8
Financial assets at fair value through other comprehensive income	203 828,5	158 293,7	-
Investments available-for-sale	-	-	158 324,9
Other assets	260,8	214,3	214,3
LIABILITIES			
Balances of market participants	206 140,3	174 570,7	174 570,7
Distributions payable to holders of securities	1 486,2	1 551,0	1 551,0
Other liabilities	154,3	1,8	1,8

	Three-Month Period Ended June 30, 2018	Three-Month Period Ended June 30, 2017	Six-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2017
Fee and commission income	1 753,3	1 387,2	3 651,6	2 691,6
Interest and other finance income	3 277,6	2 361,7	6 373,6	5 587,0
Interest expense	(47,9)	(186,3)	(72,5)	(427,8)
Net gain on financial assets at fair value through other comprehensive income	(20,8)	-	281,7	-
Net gain on financial assets available-for-sale	-	513,3	-	534,8
Other operating income	17,3	-	17,3	-
Administrative and other expenses	(70,9)	(36,5)	(121,4)	(67,1)

As at June 30, 2018 operations with government-related entities within central counterparty financial assets and liabilities amounted to 12,4% of total balance (December 31, 2017 and January 1, 2018: 11,4%).

(in millions of Russian rubles, unless otherwise indicated)

29. Fair Value Measurements

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

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

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

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

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

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

The table below analyses financial assets and liabilities measured at fair value at June 30, 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	June 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	2 933,4	412,3	130,8	**3 476,5**
Central counterparty financial assets and liabilities (currency transactions)	3 296,5	-	-	**3 296,5**
Financial assets at fair value through other comprehensive income	208 466,9	30 041,4	-	**238 508,3**
Derivative financial liabilities	-	(128,5)	-	**(128,5)**

Financial assets and liabilities measured at fair value at January 1, 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	January 1, 2018 (with IFRS 9 effect)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value though profit or loss	7 477,7	444,8	130,5	**8 053,0**
Central counterparty financial assets and liabilities (currency transactions)	1 966,8	-	-	**1 966,8**
Financial assets at fair value through other comprehensive income	181 847,0	25 650,1	-	**207 497,1**
Derivative financial liabilities	-	(6,3)	-	**(6,3)**

(in millions of Russian rubles, unless otherwise indicated)

29. Fair Value Measurements (continued)

Financial assets and liabilities measured at fair value at December 31, 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value though profit or loss	-	413,6	-	**413,6**
Central counterparty financial assets and liabilities (currency transactions)	1 966,8	-	-	**1 966,8**
Investments available-for-sale	189 324,7	25 681,3	126,2	**215 132,2**
Derivative financial liabilities	-	(6,3)	-	**(6,3)**

The fair value of cash and cash equivalents, due from financial institutions, other financial assets, balances of market participants and other financial liabilities as of June 30, 2018, January 1, 2018 and December 31, 2017 refer to level 2 hierarchy of fair value.

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

Transfers between level 1 and 2

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

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

	Transfers between Level 1 and Level 2	
	Six-Month Period Ended June 30, 2018	**Six-Month Period Ended June 30, 2017**
From Level 1 to Level 2		
Financial assets at fair value through other comprehensive income	15 980,5	-
Investments available-for-sale	-	551,4
From Level 2 to Level 1		
Financial assets at fair value through other comprehensive income	2 916,7	-
Investments available-for-sale	-	2 762,4