PUBLIC JOINT-STOCK COMPANY
MOSCOW EXCHANGE MICEX-RTS

Interim Condensed Consolidated Financial Statements For the Six-Month Period Ended June 30, 2019

MOSCOW EXCHANGE

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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, 2019, the related interim condensed consolidated statements of profit or loss and of comprehensive income for the 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*.

Shvetsov Andrei Viktorovich
Engagement partner

23 August 2019

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

Consolidated Interim Condensed Statement of Profit or Loss (unaudited)
for the Three and Six-Month Period Ended June 30, 2019
(in millions of Russian rubles)

	Notes	Three-Month Period Ended June 30, 2019 (unaudited)	Three-Month Period Ended June 30, 2018 (unaudited)	Six-Month Period Ended June 30, 2019 (unaudited)	Six-Month Period Ended June 30, 2018 (unaudited)
Fee and commission income	4	6 561,8	5 927,2	12 679,3	11 432,9
Interest and other finance income	5	3 385,5	4 719,6	7 335,7	9 150,3
Interest expense	6	(698,7)	(67,8)	(1 245,4)	(154,5)
Net gain/(loss) on financial assets at fair value through other comprehensive income		379,2	(31,5)	379,9	323,8
Foreign exchange gains less losses	7	1 432,0	(509,6)	1 938,7	(875,3)
Other operating income	8	40,2	142,1	294,9	173,6
Operating Income		**11 100,0**	**10 180,0**	**21 383,1**	**20 050,8**
General and administrative expenses	9	(2 076,2)	(1 976,3)	(4 057,2)	(3 797,1)
Personnel expenses	10	(1 797,6)	(1 526,3)	(3 553,5)	(3 233,4)
Profit before Other Operating Expenses and Tax		**7 226,2**	**6 677,4**	**13 772,4**	**13 020,3**
Other operating expenses	11	83,5	(873,5)	(2 570,0)	(1 729,9)
Profit before Tax		**7 309,7**	**5 803,9**	**11 202,4**	**11 290,4**
Income tax expense	13	(1 407,1)	(939,0)	(2 204,3)	(2 139,9)
Net Profit		**5 902,6**	**4 864,9**	**8 998,1**	**9 150,5**
Attributable to:					
Equity holders of the parent		5 900,7	4 867,7	8 986,3	9 152,5
Non-controlling interest		1,9	(2,8)	11,8	(2,0)
Earnings per share (rubles)					
Basic earnings per share	29	2,62	2,16	3,99	4,07
Diluted earnings per share	29	2,62	2,16	3,99	4,06

Chairman of the Executive Board

Y.O. Denisov

August 23, 2019
Moscow

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

August 23, 2019
Moscow

The notes 1-33 form an integral part of these interim condensed consolidated financial statements.

MOSCOW EXCHANGE

Interim Condensed Consolidated Statement of Comprehensive Income (unaudited)
for the Three and Six-Month Period Ended June 30, 2019
(in millions of Russian rubles)

	Notes	Three-Month Period Ended June 30, 2019 (unaudited)	Three-Month Period Ended June 30, 2018 (unaudited)	Six-Month Period Ended June 30, 2019 (unaudited)	Six-Month Period Ended June 30, 2018 (unaudited)
Net profit		**5 902,6**	**4 864,9**	**8 998,1**	**9 150,5**
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(1,1)	0,4	(2,0)	2,2
Movement in investment revaluation reserve for financial assets at fair value through other comprehensive income		2 081,7	(1 721,0)	3 462,4	(2 270,8)
Movement in the credit risk of financial assets at fair value through other comprehensive income	12	(39,4)	(120,3)	21,1	(122,7)
Net (gain)/loss on investments at fair value through other comprehensive income reclassified to profit or loss		(379,2)	31,5	(379,9)	(323,8)
Income tax relating to items that may be reclassified		(332,6)	361,9	(620,7)	543,4
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss		**1 329,4**	**(1 447,5)**	**2 480,9**	**(2 171,7)**
Total comprehensive income		**7 232,0**	**3 417,4**	**11 479,0**	**6 978,8**
Attributable to:					
Equity holders of the parent		7 232,6	3 418,3	11 474,6	6 975,5
Non-controlling interest		(0,6)	(0,9)	4,4	3,3

The notes 1-33 form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position (unaudited)
as at June 30, 2019
(in millions of Russian rubles)

	Notes	June 30, 2019 (unaudited)	December 31, 2018
ASSETS			
Cash and cash equivalents	14	669 775,8	416 391,2
Financial assets at fair value through profit or loss	15	7 410,9	4 350,9
Due from financial institutions	16	60 834,3	95 377,8
Central counterparty financial assets	17	2 828 952,1	3 312 020,2
Financial assets at fair value through other comprehensive income	18	171 311,7	210 752,4
Property and equipment	19	5 665,3	5 973,9
Intangible assets	20	17 145,9	17 604,3
Goodwill		15 971,4	15 971,4
Current tax prepayments		1 188,6	506,0
Assets held for sale	21	114,6	-
Deferred tax asset	13	982,4	125,1
Other assets	22	1 936,4	3 511,3
TOTAL ASSETS		**3 781 289,4**	**4 082 584,5**
LIABILITIES			
Balances of market participants	23	702 866,9	606 479,8
Overnight bank loans	25	121 468,7	5 003,1
Central counterparty financial liabilities	17	2 828 952,1	3 312 020,2
Distributions payable to holders of securities	24	888,9	24 676,0
Margin account		-	979,6
Current tax payables		34,9	30,9
Liabilities related to assets held for sale	21	7,4	-
Deferred tax liability	13	2 581,2	3 821,4
Other liabilities	26	4 735,0	3 968,9
TOTAL LIABILITIES		**3 661 535,1**	**3 956 979,9**
EQUITY			
Share capital	27	2 495,9	2 495,9
Share premium	27	32 186,4	32 140,2
Treasury shares	27	(1 533,1)	(1 768,2)
Foreign currency translation reserve		-	(20,9)
Reserves relating to assets held for sale	21	(15,5)	-
Investments revaluation reserve		724,7	(1 758,2)
Share-based payments		476,7	710,1
Retained earnings		85 232,4	93 623,3
Total equity attributable to owners of the parent		**119 567,5**	**125 422,2**
Non-controlling interest		186,8	182,4
TOTAL EQUITY		**119 754,3**	**125 604,6**
TOTAL LIABILITIES AND EQUITY		**3 781 289,4**	**4 082 584,5**

The notes 1-33 form an integral part of these interim condensed consolidated financial statements.

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Interim Condensed Consolidated Statement of Cash Flows (unaudited)
for the Six-Month Period Ended June 30, 2019
(in millions of Russian rubles)

	Notes	Six-Month Period Ended June 30, 2019 (unaudited)	Six-Month Period Ended June 30, 2018 (unaudited)
Cash flows from / (used in) operating activities:			
Profit before tax		11 202,4	11 290,4
Adjustments for:			
Depreciation and amortisation charge	9	1 759,1	1 674,2
Net change in deferred commission income		(219,8)	(309,0)
Revaluation of derivatives		394,7	511,4
Share-based payment expense	10	66,9	154,4
Unrealized (gain)/loss on foreign exchange operations		88,9	(66,8)
Gain on disposal of financial assets at FVTOCI		(379,9)	(323,8)
Net change in interest accruals		(1 057,2)	1 606,0
Net loss on disposal of property and equipment		0,2	22,7
Change in allowance for expected credit losses	12	2 134,3	(137,4)
Change in other provisions	26	217,4	873,0
Cash flows from operating activities before changes in operating assets and liabilities		**14 207,0**	**15 295,1**
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Due from financial institutions		11 965,7	(35 267,1)
Financial assets at FVTPL		(2 207,8)	4 187,3
Central counterparty financial assets		438 685,7	(20 260,5)
Other assets		(717,3)	1 596,0
Increase/(decrease) in operating liabilities:			
Balances of market participants		171 023,7	23 230,6
Overnight bank loans		116 465,6	-
Central counterparty financial liabilities		(438 685,7)	20 260,5
Distributions payable to holders of securities		(23 437,0)	2 979,2
Margin account		(979,6)	(384,6)
Other liabilities		482,1	(695,8)
Cash flows from operating activities before taxation		**286 802,4**	**10 940,7**
Income tax paid		(5 604,7)	(2 602,4)
Cash flows from operating activities		**281 197,7**	**8 338,3**

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Interim Condensed Consolidated Statement of Cash Flows (unaudited)
for the Six-Month Period Ended June 30, 2019 (continued)
(in millions of Russian rubles)

	Notes	Six-Month Period Ended June 30, 2019 (unaudited)	Six-Month Period Ended June 30, 2018 (unaudited)
Cash flows from / (used in) investing activities:			
Purchase of financial assets at FVTOCI		(51 162,7)	(115 799,1)
Proceeds from disposal of financial assets at FVTOCI		85 531,9	88 282,2
Purchase of property and equipment and intangible assets		(745,0)	(671,7)
Proceeds from disposal of property and equipment and intangible assets		-	1,6
Cash flows from / (used in) investing activities		**33 624,2**	**(28 187,0)**
Cash flows from / (used in) financing activities:			
Dividends paid		(17 377,2)	(12 320,5)
Cash outflow for lease liabilities		(93,2)	-
Cash flows used in financing activities		**(17 470,4)**	**(12 320,5)**
Effect of changes in foreign exchange rates on cash and cash equivalents		(43 964,7)	31 743,4
Net increase/(decrease) in cash and cash equivalents		**253 386,8**	**(425,8)**
Cash and cash equivalents, beginning of period	14	**416 395,9**	**273 248,6**
Cash and cash equivalents, end of period	14	**669 782,7**	**272 822,8**

Interest received by the Group during the period ended June 30, 2019, amounted to RUB 6 155,4 million (June 30, 2018: RUB 10 738,9 million). Interest paid by the Group during the period ended June 30, 2019, amounted to RUB 1 195,9 million (June 30, 2018: RUB 153,8 million).

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Interim Condensed Consolidated Statement of Changes in Equity (unaudited) for the Six-Month Period Ended June 30, 2019

(in millions of Russian rubles)

	Share capital	Share premium	Treasury shares	Investments revaluation reserve	Share-based payments	Foreign currency translation reserve	Reserves relating to assets held for sale	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
December 31, 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	**-**	**-**	**-**	**261,3**	**-**	**-**	**-**	**(319,1)**	**(57,8)**	**(1,7)**	**(59,5)**
Net profit	-	-	-	-	-	-	-	9 152,5	9 152,5	(2,0)	9 150,5
Other comprehensive income/(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 28)	-	-	-	-	-	-	-	(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	**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**
December 31, 2018	**2 495,9**	**32 140,2**	**(1 768,2)**	**(1 758,2)**	**710,1**	**(20,9)**	**-**	**93 623,3**	**125 422,2**	**182,4**	**125 604,6**
Net profit	-	-	-	-	-	-	-	8 986,3	8 986,3	11,8	8 998,1
Other comprehensive income/(loss)	-	-	-	2 482,9	-	4,0	1,4	-	2 488,3	(7,4)	2 480,9
Total comprehensive income for the period	**-**	**-**	**-**	**2 482,9**	**-**	**4,0**	**1,4**	**8 986,3**	**11 474,6**	**4,4**	**11 479,0**
Foreign currency translation reserve relating to Assets held for sale	**-**	**-**	**-**	**-**	**-**	**16,9**	**(16,9)**	**-**	**-**	**-**	**-**
Dividends declared (Note 28)	-	-	-	-	-	-	-	(17 377,2)	(17 377,2)	-	(17 377,2)
Share-based payments	-	46,2	235,1	-	(233,4)	-	-	-	47,9	-	47,9
Total transactions with owners	**-**	**46,2**	**235,1**	**-**	**(233,4)**	**-**	**-**	**(17 377,2)**	**(17 329,3)**	**-**	**(17 329,3)**
June 30, 2019	**2 495,9**	**32 186,4**	**(1 533,1)**	**724,7**	**476,7**	**-**	**(15,5)**	**85 232,4**	**119 567,5**	**186,8**	**119 754,3**

The notes 1-33 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, 2019 Voting rights, %	December 31, 2018 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%
MOEX Information Security LLC (MOEX Information Security)	Information security services	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.

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, as well as Local Operating Unit of a global system of legal entities identification, authorized to assign LEI codes to the legal entities. NSD holds licences for depository, repository, clearing and settlement operations issued by the Central Bank of Russia (CBR).

1. Organization (continued)

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. In March 2019 the Supervisory Board approved a plan to sell ETS, therefore, as at the reporting date ETS is presented as disposal group held for sale, for details refer to Note 21.

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

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

MOEX Information Security was established in Russia in October 2018 for providing information security services.

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

The Group has 1 748 employees as at June 30, 2019 (December 31, 2018: 1 710 employees).

The financial statements approval. These Interim Condensed Consolidated Financial Statements of the Group were approved for issue by the Management on August 23, 2019.

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 2018 prepared in accordance with IFRS, such as accounting policies and details of accounts, which have not changed significantly in amount or composition.

Due to the fact that the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the year ending 31 December 2019.

(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, 2019	December 31, 2018
USD	63,0756	69,4706
EUR	71,8179	79,4605

Inflation accounting

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

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, 2018, except the adoption of IFRS 16 "Leases" since January 1, 2019.

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, 2019:

- IFRS 16 Leases;
- Amendments to IFRS 9 Prepayment Features with Negative Compensation;
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs;
- Amendments to IAS 19 Employee Benefits Plan Amendment Curtailment or Settlement;
- IFRIC 23 Uncertainty over Income Tax Treatments.

The adoption of these new and revised Standards and Interpretations (except the adoption of IFRS 16 "Leases") 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 16 "Leases"

In the current period, the Group for the first time has applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Group is 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant change to the lessee accounting by removing the distinction between operating and finance requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. Details of these new requirements are described below.

The Group has applied IFRS 16 using modified retrospective approach recognising the cumulative effect of initial application as an adjustment to the opening balance of retained earnings which is zero as right-of-use assets equal lease liabilities. Therefore, comparative information is not restated.

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

The effects of the adoption of IFRS 16 "Leases" (continued)

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

Impact on the lessee accounting (former operating leases)

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate as the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined using the most recent CBR statistics on loan interest rates in the same currency and of the same term.

The lease payments included in the measurement of the lease liability comprise:

(a) Fixed payments (including in-substance fixed payments), less any lease incentives;

(b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is presented within other liabilities in the interim condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

The effects of the adoption of IFRS 16 "Leases" (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

(a) The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

(b) There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case the revised discount rate is used);

(c) A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the obligation for costs to dismantle and remove a leased asset is incurred or an obligation to restore the site on which it is located or restore the underlying asset to the condition required by the terms of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the line property and equipment in the interim condensed consolidated statement of financial position.

The Group applies IAS 36 "Impairment of assets" to determine whether a right-of-use asset is impaired and to account for the impairment.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "general and administrative expenses" in the interim condensed consolidated statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

(in millions of Russian rubles, unless otherwise indicated)

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

The effects of the adoption of IFRS 16 "Leases" (continued)

The application of IFRS 16 has the following impact on the interim condensed consolidated statement of cash flows of the Group:

(a) Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are presented as part of operating activities;
(b) Cash payments for the principal portion for lease liability are presented as part of financing activities;
(c) Cash payments for the interest portion for lease liability can be presented as either operating activities of financing activities, as permitted by IAS 7. The Group has opted to include interest paid as part of financing activities.

Under IAS 17 all lease payments were presented as part of cash flows from operating activities.

The adoption of IFRS 16 did not have an impact on net cash flows.

The Group as lessor

IFRS 16 did not change substantially how a lessor accounts for leases. A lessor continues to classify leases as finance or operating leases and account for those two types differently. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease (the Group does not have such contracts). All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Impact on assets, liabilities and equity as at January 1, 2019

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the interim condensed consolidated statement of financial position at the date of initial application is 6,08%.

Reconciliation of the operating lease commitments to lease liability at January 1, 2019 is as follows:

	January 1, 2019
Lease payments under operating lease	**244,9**
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	33,7
Recognition exemption: short-term leases	(2,1)
Future lease payments under IFRS 16	**276,6**
Effect of discounting	(7,6)
Lease liabilities under IFRS 16	**269,0**
Right-of-use assets under IFRS 16	**269,0**

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

New or amended standards issued but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New or amended standard or interpretation	Effective date – for annual periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB
Amendments to IFRS 3 Definition of business	1 January 2020
Amendments to IAS 1 and IAS 8 Definition to Material	1 January 2020

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 test that contractual cash flows of financial asset are solely payments of principal and interest on the principal amount outstanding («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. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income («FVTOCI») 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's conducts continuous 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.

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

Significant increase of credit risk

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 considers both quantitative and qualitative information that is reasonable, including historical experience and forward-looking information that is available without undue cost or effort.

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, 2019 the Group adjusted the estimates in relation to remaining useful lives of intangible assets. The amendments were applied to certain types of software and licences. Should the Group not apply these amendments, amortisation of software and licences for the six-month period ended June 30, 2019 would be RUB 25,2 million lower.

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 33.

(in millions of Russian rubles, unless otherwise indicated)

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

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.

4. Fee and Commission Income

	Three-Month Period Ended June 30, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Money market	1 788,6	1 561,6	3 559,9	2 999,8
Securities market	1 445,3	1 147,7	2 528,3	2 318,5
- bonds	*751,6*	*551,3*	*1 288,8*	*1 172,9*
- equities	*540,6*	*516,1*	*955,0*	*986,1*
- listing and other services	*153,1*	*80,3*	*284,5*	*159,5*
Depository and settlement services	1 313,2	1 099,1	2 499,7	2 145,2
Foreign exchange	885,7	1 044,5	1 757,3	1 970,7
Derivatives	642,7	612,8	1 298,1	1 107,6
Information services	217,6	189,5	430,3	365,8
Sale of software and technical services	199,8	175,6	397,4	344,8
Other	68,9	96,4	208,3	180,5
Total fee and commission income	**6 561,8**	**5 927,2**	**12 679,3**	**11 432,9**

5. Interest and Other Finance Income

	Three-Month Period Ended June 30, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Gain on financial assets at FVTPL				
Net gain on financial assets at FVTPL	37,5	11,9	73,6	16,7
Interest income	40,3	38,0	71,4	87,0
Total gain on financial assets at FVTPL	**77,8**	**49,9**	**145,0**	**103,7**
Interest income on financial assets other than at FVTPL				
Interest income on financial assets at FVTOCI	2 465,9	3 231,7	5 034,4	6 351,3
Interest on cash and cash equivalents and due from financial institutions	841,8	1 438,0	2 156,3	2 695,3
Total interest income on financial assets other than at FVTPL	**3 307,7**	**4 669,7**	**7 190,7**	**9 046,6**
Total interest and other finance income	**3 385,5**	**4 719,6**	**7 335,7**	**9 150,3**

(in millions of Russian rubles, unless otherwise indicated)

6. Interest Expense

	Three-Month Period Ended June 30, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Interest expense on interbank loans and deposits	577,0	24,5	993,1	78,1
Interest expense on accounts of clearing participants	110,3	20,0	222,8	49,7
Interest expense on stress collateral	7,1	5,1	20,9	7,4
Interest expense on lease liabilities	2,9	-	6,5	-
Interest expense on repo agreements and other	1,4	18,2	2,1	19,3
Total interest expense	**698,7**	**67,8**	**1 245,4**	**154,5**

7. Foreign Exchange Gains Less Losses

	Three-Month Period Ended June 30, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Foreign exchange swaps	1 487,8	(544,3)	2 008,5	(963,7)
Net result from other foreign exchange operations	(55,8)	34,7	(69,8)	88,4
Total foreign exchange gains less losses	**1 432,0**	**(509,6)**	**1 938,7**	**(875,3)**

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, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Reversal of legal case provision	-	-	218,3	-
Movement in allowance for ECLs (Note 12)	-	113,0	-	137,4
Other operating income	40,2	29,1	76,6	36,2
Total other operating income	**40,2**	**142,1**	**294,9**	**173,6**

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. During the year 2018 the courts of first and second instances ruled to fulfil plaintiffs demands. The Group made a 100% provision and filed a cassation which was satisfied. As a result the provision was conservatively decreased to 25% of the amount claimed to RUB 218,3 million. In January 2019 the plaintiffs applied to the Supreme Court. As of March 31, 2019 the Group performed additional risk-assessment and recovered the provision in full. In the second quarter 2019 The Supreme Court rejected to satisfy the plaintiffs' claim.

(in millions of Russian rubles, unless otherwise indicated)

9. General and Administrative Expenses

	Three-Month Period Ended June 30, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Amortisation of intangible assets (Note 20)	550,9	500,6	1 074,1	974,7
Depreciation of property and equipment (Note 19)	335,4	333,8	685,0	699,5
Equipment and intangible assets maintenance	351,7	288,7	683,8	563,8
Market makers fees	180,7	132,8	335,7	272,9
Taxes, other than income tax	147,1	138,0	279,4	257,7
Professional services	100,5	147,6	256,0	248,7
Registrar and foreign depository services	75,3	75,2	154,3	134,7
Advertising and marketing costs	107,2	87,4	152,5	128,9
Rent and office maintenance	76,2	117,0	149,1	229,3
Information services	76,8	56,1	146,3	110,6
Communication services	21,9	26,7	44,9	51,5
Business trip expenses	20,9	22,0	37,1	34,7
Security expenses	7,6	7,4	15,1	14,8
Transport expenses	4,0	4,7	8,7	8,6
Charity	5,5	9,0	8,0	12,9
Loss on disposal of property, equipment and intangible assets	0,2	22,7	0,2	22,7
Other	14,3	6,6	27,0	31,1
Total general and administrative expenses	**2 076,2**	**1 976,3**	**4 057,2**	**3 797,1**

Professional services comprise consulting, audit, legal and other services. Rent and office maintenance expenses for the six-month period ended June 30, 2019 include only short-term expenses due to adoption of IFRS 16 Leases.

10. Personnel Expenses

	Three-Month Period Ended June 30, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Employees benefits except for share-based payments	1 495,0	1 226,5	2 844,1	2 531,0
Payroll related taxes	296,0	219,7	642,5	548,0
Share-based payment expense on equity settled instruments	1,9	75,5	47,9	141,9
Share-based payment expense on cash settled instruments	4,7	4,6	19,0	12,5
Total personnel expenses	**1 797,6**	**1 526,3**	**3 553,5**	**3 233,4**

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 granted until 2017 is four years. The maximum contractual term of the contracts granted beginning from 2017 was prolonged from three and a half years to four and a half years in March 2019. 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 millions of Russian rubles, unless otherwise indicated)

10. Personnel Expenses (continued)

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, 2018	**42 924 517**	**93,16**
Granted	11 400 000	115,49
Exercised (Note 27)	(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**
Outstanding at January 1, 2019	**49 734 517**	**98,97**
Granted	5 000 000	107,50
Exercised (Note 27)	(3 459 488)	69,89
Forfeited	(4 014 513)	115,31
Redeemed	(12 073 846)	69,89
Outstanding at June 30, 2019	**35 186 670**	**108,82**

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

No cash settled instruments were granted during the six-month period ended June 30, 2019 (June 30, 2018: 201 920). The weighted average remaining contractual life of outstanding instruments is 0,87 years (December 31, 2018: 1,02 years).

163 278 cash settled instruments were exercised during the six-month period ended June 30, 2019 with WAEP of RUB 88,36 (June 30, 2018: 75 148 with WAEP of RUB 119,21).

The number of equity rights exercisable as at June 30, 2019 is 12 771 670 with WAEP of RUB 109,23 (December 31, 2018: 22 941 573 with WAEP of RUB 81,49).

The weighted average fair value of equity rights granted during the six-month period ended June 30, 2019 was RUB 9,40 (June 30, 2018: RUB 18,09).

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

	June 30, 2019		December 31, 2018	
Exercise price	**Number outstanding**	**Weighted average remaining contractual life**	**Number outstanding**	**Weighted average remaining contractual life**
62,0 - 77,0	-	-	15 000 000	-
77,0 - 102,0	8 650 003	1,37	4 183 337	0,76
107,0 - 122,0	26 536 667	0,62	30 551 180	1,07
	35 186 670	**0,80**	**49 734 517**	**0,72**

(in millions of Russian rubles, unless otherwise indicated)

10. Personnel Expenses (continued)

The following table lists the inputs to the models used for the granted instruments:

	Equity settled		Cash settled	
Assumption	**Six-Month Period Ended June 30, 2019**	**Six-Month Period Ended June 30, 2018**	**Six-Month Period Ended June 30, 2019**	**Six-Month Period Ended June 30, 2018**
Expected volatility	23,1%	24,6%	-	24,7%
Risk-free interest rate	7,4%	6,8%	-	6,9%
Weighted average share price, RUB	80,94	116,39	-	109,75
Dividend yield	8,8%	6,4%	-	6,4%

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

11. Other Operating Expenses

	Three-Month Period Ended June 30, 2019	**Three-Month Period Ended June 30, 2018**	**Six-Month Period Ended June 30, 2019**	**Six-Month Period Ended June 30, 2018**
Movement in allowance for ECLs (Note 12)	1 839,4	-	2 134,3	-
Provision for losses related to grain shortages (including reclassification to ECLs)	(1 922,9)	-	435,7	-
Legal case provision (Note 8)	-	873,0	-	873,0
Operational error provision	-	0,5	-	856,9
Total other operating expenses	**(83,5)**	**873,5**	**2 570,0**	**1 729,9**

In the first quarter of 2019 the Group's subsidiary operating as a Commodity Delivery Operator (CDO) during the regular inspections of commodities stored in some grain warehouses faced shortages of grain used as collateral under swap trades, allegedly due to theft. The risk related to the partners' infrastructure for storing commodity assets and was inherent exclusively to the agricultural products market. The Group risk protection system and risk monitoring on the grain market consists of evaluation of technical condition and financial position of the counterparty (certification), regular independent surveys with rotation of surveyors, and insurance coverage, including covering the risk of fraud, which size was sufficient to cover possible losses based on previous cases in the market. The Group is taking all necessary actions, such as: has filed claims for the initiation of criminal proceedings, demanding the execution of trades, reclaiming the missing collateral and claiming insurance.

The amount receivable from grain warehouses is presented within other assets (Note 22) for which 100% provision has been made. Provision to cover the risk of collateral insufficiency in the amount of RUB 435,7 million is presented within other liabilities (Note 26). The total amount of provision for CDO operations is RUB 2 374,5 million. At the end of the reporting period new grain warehouses' accreditation requirements have come into force according to which sureties and guarantees became one of the necessary conditions. The guarantor is responsible for the performance of obligations by grain warehouses to the Group under the storage agreements.

The overall reversal of other operating expense during the second quarter 2019 occurred mainly due to reversal of ECLs on due from credit institutions and financial assets at FVTOCI (Note 12).

(in millions of Russian rubles, unless otherwise indicated)

11. Other Operating Expenses (continued)

In the first quarter 2018, 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. In June 2018 the Group filed a claim to declare that professional participant bankrupt due to non-fulfillment of its liabilities. Bankruptcy proceedings were initiated. The Group implemented a set of measures to preclude the recurrence of such an operational event in the future.

12. 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, 2019 and June 30, 2018, is provided below.

	Cash and cash equivalents	Due from credit institutions	Financial assets at FVTOCI	Other financial assets	Total
Note	*14*	*16*		*22*	
December 31, 2017	**-**	**-**	**-**	**23,3**	**23,3**
Effect of adoption of IFRS 9	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**
December 31, 2018	**4,7**	**36,3**	**192,0**	**84,5**	**317,5**
Net (reversal) / charge for the period	(2,1)	(35,6)	21,1	2 150,9	2 134,3
Write-offs	-	-	-	(8,1)	(8,1)
June 30, 2019	**2,6**	**0,7**	**213,1**	**2 227,3**	**2 443,7**

The information on the movement in the allowance for expected credit losses of the Group for the three-month periods ended June 30, 2019 and June 30, 2018, is provided below.

	Cash and cash equivalents	Due from credit institutions	Financial assets at FVTOCI	Other financial assets	Total
Note	*14*	*16*		*22*	
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**
March 31, 2019	**3,3**	**34,8**	**252,5**	**316,2**	**606,8**
Net (reversal) / charge for the period	(0,7)	(34,1)	(39,4)	1 913,6	1 839,4
Write-offs	-	-	-	(2,5)	(2,5)
June 30, 2019	**2,6**	**0,7**	**213,1**	**2 227,3**	**2 443,7**

(in millions of Russian rubles, unless otherwise indicated)

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

In the first quarter 2019 the Group's management detected several incorrectly processed administrative payments not connected with the Group's trading and clearing activities. Management immediately introduced a set of necessary measures to resolve the situation and improved control procedures to avoid similar mistakes in the future. As at the reporting date, the amount of the provision on receivables presented within other financial assets is RUB 231,0 million.

Net charge of the allowance for expected credit losses of the Group for the six-month period ended and the three-month period ended June 30, 2019 is included in other operating expenses within interim condensed consolidated statement of profit or loss. Net reversal for the six-month period and the three-month period ended June 30, 2018 is included in other operating income within interim condensed consolidated statement of profit or loss.

As at June 30, 2019 and December 31, 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.

The allowance for expected credit losses of the Group consists of the loss allowance measured at an amount equal to 12-month expected credit losses for Stage 1 assets, and the loss allowance measured at an amount equal to lifetime expected credit losses for Stage 2 and Stage 3 assets. The composition of the Group's financial assets and correspondent allowances for expected credit losses by stages as at June 30, 2019 and December 31, 2018 is provided below.

	Cash and cash equivalents	Due from credit institutions	Financial assets at FVTOCI	Other financial assets	Total
Note	*14*	*16*		*22*	
June 30, 2019					
Stage 1 assets	669 778,4	60 835,0	171 311,7	1 233,5	903 158,6
Stage 2 assets	-	-	-	30,5	30,5
Stage 3 assets	-	-	-	2 198,0	2 198,0
Total financial assets	**669 778,4**	**60 835,0**	**171 311,7**	**3 462,0**	**905 387,1**
Allowance for Stage 1 assets	(2,6)	(0,7)	(213,1)	(28,6)	(245,0)
Allowance for Stage 2 assets	-	-	-	(0,7)	(0,7)
Allowance for Stage 3 assets	-	-	-	(2 198,0)	(2 198,0)
Total allowance for expected credit losses	**(2,6)**	**(0,7)**	**(213,1)**	**(2 227,3)**	**(2 443,7)**
December 31, 2018					
Stage 1 assets	416 395,9	95 414,1	210 752,4	968,0	723 530,4
Stage 2 assets	-	-	-	4,3	4,3
Stage 3 assets	-	-	-	34,6	34,6
Total financial assets	**416 395,9**	**95 414,1**	**210 752,4**	**1 006,9**	**723 569,3**
Allowance for Stage 1 assets	(4,7)	(36,3)	(192,0)	(49,4)	(282,4)
Allowance for Stage 2 assets	-	-	-	(0,5)	(0,5)
Allowance for Stage 3 assets	-	-	-	(34,6)	(34,6)
Total allowance for expected credit losses	**(4,7)**	**(36,3)**	**(192,0)**	**(84,5)**	**(317,5)**

(in millions of Russian rubles, unless otherwise indicated)

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.

Reconciliation of income tax expense and accounting profit for the six-month and three-month periods ended June 30, 2019 and 2018, are explained below:

	Three-Month Period Ended June 30, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Profit before income tax	**7 309,7**	**5 803,9**	**11 202,4**	**11 290,4**
Tax at the statutory tax rate (20%)	1 462,0	1 160,8	2 240,5	2 258,1
Tax effect of income taxed at rates different from the prime rate	(76,9)	(82,8)	(157,0)	(181,5)
Non-deductible expenses for tax purposes	20,4	(139,0)	119,2	63,3
Adjustments in respect of current income tax of previous years	1,6	-	1,6	-
Income tax expense	**1 407,1**	**939,0**	**2 204,3**	**2 139,9**
Current income tax expense	1 871,7	(157,1)	4 924,5	1 230,9
Current income tax expense related to previous years	1,6	-	1,6	-
Deferred taxation movement due to origination and reversal of temporary differences	(465,7)	1 096,9	(2 722,9)	910,9
Deferred taxation movement due to tax losses carried forward	(0,5)	(0,8)	1,1	(1,9)
Income tax expense	**1 407,1**	**939,0**	**2 204,3**	**2 139,9**

	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Beginning of the period – deferred tax assets	**125,1**	**258,2**
Beginning of the period – deferred tax liabilities	**(3 821,4)**	**(2 943,3)**
Changes in deferred income tax balances recognised in other comprehensive income	(620,7)	543,3
Change in deferred income tax balances recognised in profit or loss	2 721,8	(909,0)
Disposal of assets held for sale	(3,6)	-
End of the period - deferred tax assets	**982,4**	**73,5**
End of the period - deferred tax liabilities	**(2 581,2)**	**(3 124,3)**

(in millions of Russian rubles, unless otherwise indicated)

14. Cash and Cash Equivalents

	June 30, 2019	December 31, 2018
Correspondent accounts and overnight deposits with banks	665 252,2	398 747,5
Balances with the CBR	4 456,6	17 641,7
Receivables on broker and clearing operations	62,8	1,0
Cash on hand	6,8	5,7
Total cash and cash equivalents	**669 778,4**	**416 395,9**
Less allowance for impairment (Note 12)	(2,6)	(4,7)
Total cash and cash equivalents	**669 775,8**	**416 391,2**
Total cash and cash equivalents before allowance for impairment	**669 778,4**	**416 395,9**
Cash and cash equivalents attributable to Assets of disposal group held for sale	4,3	-
Cash and cash equivalents for the purpose of Consolidated Statement of Cash Flows	**669 782,7**	**416 395,9**

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

	June 30, 2018	December 31, 2017
Correspondent accounts and overnight deposits with banks	244 618,1	209 939,5
Balances with the CBR	28 132,8	63 304,2
Receivables on broker and clearing operations	68,0	-
Cash on hand	3,9	4,9
Total cash and cash equivalents for the purpose of Consolidated Statement of Cash Flows	**272 822,8**	**273 248,6**

15. Financial Assets at Fair Value through Profit or Loss

	June 30, 2019	December 31, 2018
Eurobonds issued by Russian companies	6 548,3	3 188,5
Derivative financial instruments	685,1	1 029,4
Shares issued by Russian companies	109,8	120,5
Shares issued by foreign companies	67,7	12,5
Total financial assets at FVTPL	**7 410,9**	**4 350,9**

(in millions of Russian rubles, unless otherwise indicated)

16. Due from Financial Institutions

Due from financial institutions are presented as follows:

	June 30, 2019	December 31, 2018
Reverse repo receivables from financial institutions	48 382,0	48 382,7
Interbank loans and term deposits	7 938,5	42 728,5
Correspondent accounts and deposits in precious metals	4 513,1	4 301,8
Receivables on broker and clearing operations	1,4	1,1
Total due from financial institutions	**60 835,0**	**95 414,1**
Less allowance for impairment (Note 12)	(0,7)	(36,3)
Total due from financial institutions	**60 834,3**	**95 377,8**

As at June 30, 2019, 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 depository clients, in the amount of RUB 7 713,9 million (December 31, 2018: RUB 7 805,5 million). Balances of market participants include balances due to these clients in respect of those securities in the amount of RUB 7 713,9 million (December 31, 2018: RUB 7 805,5 million).

17. Central Counterparty Financial Assets and Liabilities

	June 30, 2019	December 31, 2018
Repo transactions	2 827 583,0	3 310 008,3
Currency transactions	1 369,1	2 011,9
Total CCP financial assets and liabilities	**2 828 952,1**	**3 312 020,2**

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, 2019 and December 31, 2018, 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 through Other Comprehensive Income

	June 30, 2019	December 31, 2018
Bonds issued by Russian Federation	104 617,1	133 825,1
Bonds issued by foreign companies	24 930,9	25 099,6
Bonds issued by Russian companies	24 322,4	24 160,5
Bonds issued by Russian banks	17 441,3	17 590,8
Bonds issued by CBR	-	10 076,4
Total financial assets at FVTOCI	**171 311,7**	**210 752,4**

(in millions of Russian rubles, unless otherwise indicated)

19. Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Construction in progress	Right-of-use assets	Total
Cost						
December 31, 2017	**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**
December 31, 2018	**219,8**	**5 865,9**	**7 075,0**	**47,0**	**-**	**13 207,7**
January 1, 2019 (with IFRS 16 effect)	**219,8**	**5 865,9**	**7 075,0**	**47,0**	**269,0**	**13 476,7**
Additions	-	-	76,5	81,3	15,6	173,4
Reclassification	-	-	42,1	(42,1)	-	-
Disposals	-	-	(72,6)	-	-	(72,6)
Reclassification to assets held for sale	(10,4)	(61,8)	(13,2)	-	-	(85,4)
Effect of movements in exchange rates	(0,9)	(5,5)	(1,1)	-	-	(7,5)
June 30, 2019	**208,5**	**5 798,6**	**7 106,7**	**86,2**	**284,6**	**13 484,6**
Accumulated depreciation						
December 31, 2017	**-**	**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**
December 31, 2018	**-**	**1 571,6**	**5 662,2**	**-**	**-**	**7 233,8**
Charge for the period	-	58,5	533,2	-	93,3	685,0
Disposals	-	-	(72,4)	-	-	(72,4)
Reclassification to assets held for sale	-	(14,8)	(10,1)		-	(24,9)
Effect of movements in exchange rates	-	(1,3)	(0,9)	-	-	(2,2)
June 30, 2019	**-**	**1 614,0**	**6 112,0**	**-**	**93,3**	**7 819,3**
Net book value						
December 31, 2018	**219,8**	**4 294,3**	**1 412,8**	**47,0**	**-**	**5 973,9**
June 30, 2019	**208,5**	**4 184,6**	**994,7**	**86,2**	**191,3**	**5 665,3**

As at June 30, 2019, historical cost of fully depreciated property and equipment amounts to RUB 4 124,6 million (December 31, 2018: RUB 3 243,3 million).

(in millions of Russian rubles, unless otherwise indicated)

20. Intangible Assets

	Software and licenses	Client base	Intangible assets development	Total
Cost				
December 31, 2017	**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**
December 31, 2018	**5 872,1**	**19 606,7**	**777,2**	**26 256,0**
Additions	382,5	-	234,0	616,5
Reclassification	240,0	-	(240,0)	-
Disposals	(5,8)	-	(0,4)	(6,2)
Reclassification to assets held for sale	(1,5)	-	-	(1,5)
Effect of movements in exchange rates	(0,1)	-	-	(0,1)
June 30, 2019	**6 487,2**	**19 606,7**	**770,8**	**26 864,7**
Accumulated amortisation and impairment				
December 31, 2017	**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**
December 31, 2018	**2 365,6**	**6 286,1**	**-**	**8 651,7**
Charge for the period	485,9	588,2	-	1 074,1
Disposals	(5,8)	-	-	(5,8)
Reclassification to assets held for sale	(1,1)	-	-	(1,1)
Effect of movements in exchange rates	(0,1)	-	-	(0,1)
June 30, 2019	**2 844,5**	**6 874,3**	**-**	**9 718,8**
Net book value				
December 31, 2018	**3 506,5**	**13 320,6**	**777,2**	**17 604,3**
June 30, 2019	**3 642,7**	**12 732,4**	**770,8**	**17 145,9**

(in millions of Russian rubles, unless otherwise indicated)

21. Assets Held for Sale

In March 2019, the Supervisory board approved a plan to sell ETS. Therefore, as at June 30, 2019 the Group presented ETS as disposal group held for sale under IFRS 5 "Non-current assets held for sale and discontinued operations". During the six-month period ended June 30, 2019, ETS generated net cash inflows from operating activities of RUB 18,8 million. Foreign currency revaluation reserve accumulated in equity related to disposal group is RUB 15,5 million loss.

The major classes of assets and liabilities of ETS classified as held for sale as of the reporting date:

	June 30, 2019
Assets of the disposal group held for sale	
Cash and cash equivalents	4,3
Due from financial institutions	21,7
Property and equipment	60,5
Intangible assets	0,4
Other assets	27,7
Total assets of the disposal group held for sale	**114,6**
Liabilities of the disposal group held for sale	
Other liabilities	7,4
Total liabilities of the disposal group held for sale	**7,4**

22. Other Assets

	June 30, 2019	**December 31, 2018**
Other financial assets:		
Receivables on services rendered and other operations	3 462,0	1 006,9
Less allowance for ECLs (Note 12)	(2 227,3)	(84,5)
Total other financial assets	**1 234,7**	**922,4**
Other non-financial assets:		
Prepaid expenses	510,7	392,2
Non-current assets prepaid	112,6	141,1
Taxes receivable other than income tax	43,2	64,7
Precious metals	22,9	1 976,8
Other	12,3	14,1
Total other assets	**1 936,4**	**3 511,3**

As at June 30, 2019, receivables on services rendered and other operations include receivables from grain warehouses (Note 11) in the amount of RUB 1 938,8 million, fully covered by the allowance for expected credit losses.

(in millions of Russian rubles, unless otherwise indicated)

23. Balances of Market Participants

	June 30, 2019	December 31, 2018
Accounts of clearing participants	600 617,3	521 359,0
Other current and settlement accounts	78 790,7	58 121,3
Stress collateral	13 180,8	14 629,7
Risk-covering funds	5 764,5	6 091,4
Accounts of clearing participants in precious metals	4 513,6	6 278,4
Total balances of market participants	**702 866,9**	**606 479,8**

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.

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).

24. Distributions payable to holders of securities

Distributions payable to holders of securities comprise dividends and coupon amounts received by the Group from the issuers of securities on behalf of customers of the Group, for which the Group provides depository services.

The normal settlement period for distribution of dividends and coupon amounts to its customers is three days. Amounts of dividends and coupons payable to clients are stated at their contractual values.

(in millions of Russian rubles, unless otherwise indicated)

25. Overnight bank loans

As at June 30, 2019 overnight bank loans are represented 66% by USD nominated balances and 34% by RUB nominated balances. As at December 31, 2018 all balances were in RUB.

26. Other Liabilities

	June 30, 2019	December 31, 2018
Other financial liabilities		
Trade and other payables	665,5	633,7
Payables to employees	524,1	293,9
Lease liabilities	177,2	-
Derivative financial liabilities	154,6	104,2
Dividends payable	0,3	0,2
Total other financial liabilities	**1 521,7**	**1 032,0**
Other non-financial liabilities		
Personnel remuneration provision	888,7	1 601,4
Tax agent liabilities regarding distributions payable to holders of securities	825,2	32,3
Advances received	435,8	239,3
Provision (Notes 8, 11)	435,7	218,3
Taxes payable, other than income tax	408,0	405,9
Deferred commission income	219,9	439,7
Total other liabilities	**4 735,0**	**3 968,9**

27. 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, 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)**
December 31, 2018	**2 276 401 458**	**(26 014 430)**
Exercised equity instruments (Note 10)	-	3 459 488
June 30, 2019	**2 276 401 458**	**(22 554 942)**

Share premium represents an excess of contributions received over the nominal value of shares issued. As at June 30, 2019 and December 31, 2018, the number of authorized shares is 12 095 322 151. The Group was in compliance with all external regulations on capital adequacy.

(in millions of Russian rubles, unless otherwise indicated)

28. Retained Earnings

During the six-month period ended June 30, 2019 the Group declared and paid dividends for the year ended December 31, 2018, to the owners of the parent of RUB 17 377,2 million, the amount of dividends per share is RUB 7,70 per ordinary share (during the six-month period ended June 30, 2018: RUB 12 320,5 million. Taking into account interim dividends of RUB 5 607,4 million, or RUB 2,49 per share the Group paid RUB 17 928,0 million; dividends per share: RUB 7,96 the year ended December 31, 2017:, including interim dividends).

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.

29. 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, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Net profit attributable to ordinary equity holders of the parent	**5 900,7**	**4 867,7**	**8 986,3**	**9 152,5**
Weighted average number of shares	**2 253 224 692**	**2 248 782 138**	**2 253 171 236**	**2 248 626 545**
Effect of dilutive share options	96 548	7 971 429	1 487 880	8 159 649
Weighted average number of shares adjusted for the effect of dilution	**2 253 321 240**	**2 256 753 567**	**2 254 659 116**	**2 256 786 194**
Basic earnings per share, RUB	2,62	2,16	3,99	4,07
Diluted earnings per share, RUB	2,62	2,16	3,99	4,06

30. 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, TRY, 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).

30. Operating Segments (continued)

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 depository-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, depository 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.

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 **"Depository"** includes depository 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.

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)

30. 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, 2019 and June 30, 2018, is provided below.

	Six-Month Period Ended June 30, 2019				
	Trading services	**Clearing**	**Depository**	**Other services**	**Total**
INCOME					
Commission income	4 554,1	4 737,2	2 600,9	787,1	12 679,3
Net interest and other finance income*	2 881,9	4 335,7	1 191,3	-	8 408,9
Other operating income	-	218,3	-	76,6	294,9
Total income	**7 436,0**	**9 291,2**	**3 792,2**	**863,7**	**21 383,1**
EXPENSES					
Personnel expenses	(1 667,9)	(573,2)	(1 046,9)	(265,5)	(3 553,5)
General and administrative expenses,	(2 131,2)	(546,7)	(1 099,8)	(279,5)	(4 057,2)
Incl. depreciation and amortisation	*(869,0)*	*(277,4)*	*(536,8)*	*(75,9)*	*(1 759,1)*
Total expenses before other operating expenses	**(3 799,1)**	**(1 119,9)**	**(2 146,7)**	**(545,0)**	**(7 610,7)**
Total profit before other operating expenses and tax	**3 636,9**	**8 171,3**	**1 645,5**	**318,7**	**13 772,4**
Other operating expenses	(235,7)	(2 298,0)	(36,3)	-	(2 570,0)
Total profit before tax	**3 401,2**	**5 873,3**	**1 609,2**	**318,7**	**11 202,4**

	Six-Month Period Ended June 30, 2018				
	Trading services	**Clearing**	**Depository**	**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)
General and administrative expenses,	(1 923,7)	(523,5)	(1 071,7)	(278,2)	(3 797,1)
Incl. depreciation and amortisation	*(869,1)*	*(257,6)*	*(489,4)*	*(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**
Other operating expenses	-	(1 729,9)	-	-	(1 729,9)
Total profit before tax	**4 403,2**	**5 513,2**	**1 175,6**	**198,4**	**11 290,4**

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

(in millions of Russian rubles, unless otherwise indicated)

31. Commitments and Contingencies

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

32. 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, 2019	**December 31, 2018**
Other liabilities	267,0	499,9
Share-based payments	156,0	427,8

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, 2019	**Three-Month Period Ended June 30, 2018**	**Six-Month Period Ended June 30, 2019**	**Six-Month Period Ended June 30, 2018**
Short-term employee benefits	201,2	70,5	311,5	270,0
Long-term employee benefits	23,4	33,5	45,1	58,1
Share-based payment expense on equity settled instruments	(13,9)	25,6	8,6	49,3
Total remuneration of key management personnel	**210,7**	**129,6**	**365,2**	**377,4**

(in millions of Russian rubles, unless otherwise indicated)

32. Transactions with Related Parties (continued)

(b) Transactions with government-related entities

As at June 30, 2019 the Russian Federation exercises significant influence over Moscow Exchange.

In the ordinary course of business the Group provides trading, clearing and depository 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, 2019 and December 31, 2018, and for the six-month and three-month periods ended June 30, 2019 and June 30, 2018:

	June 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	111 360,1	141 543,9
Due from financial institutions	4 205,3	4 098,9
Financial assets at FVOCI	145 907,4	187 486,7
Other assets	349,4	396,6
LIABILITIES		
Balances of market participants	442 176,1	272 766,2
Distributions payable to holders of securities	332,1	22 210,6
Other liabilities	182,5	195,4

	Three-Month Period Ended June 30, 2019	Three-Month Period Ended June 30, 2018	Six-Month Period Ended June 30, 2019	Six-Month Period Ended June 30, 2018
Fee and commission income	2 346,1	1 753,3	4 462,0	3 651,6
Interest and other finance income	2 183,5	3 277,6	4 543,5	6 373,6
Interest expense	(635,3)	(47,9)	(1 097,3)	(72,5)
Net gain/(loss) on financial assets at FVOCI	391,8	(20,8)	388,7	281,7
Other operating income	1,9	17,3	5,3	17,3
Administrative and other expenses	(60,4)	(70,9)	(109,5)	(121,4)

As at June 30, 2019 operations with government-related entities within central counterparty financial assets and liabilities amounted to 23,5% of total balance. (December 31, 2018: 29,8%).

(in millions of Russian rubles, unless otherwise indicated)

33. 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, 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	June 30, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	6 548,3	685,1	177,5	**7 410,9**
CCP financial assets and liabilities (currency transactions)	1 369,1	-	-	**1 369,1**
Financial assets at FVTOCI	158 794,5	12 517,2	-	**171 311,7**
Derivative financial liabilities	-	(154,6)	-	**(154,6)**

Financial assets and liabilities measured at fair value at December 31, 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	3 188,5	1 029,4	133,0	**4 350,9**
CCP financial assets and liabilities (currency transactions)	2 011,9	-	-	**2 011,9**
Financial assets at FVTOCI	194 915,1	15 837,3	-	**210 752,4**
Derivative financial liabilities	-	(104,2)	-	**(104,2)**

(in millions of Russian rubles, unless otherwise indicated)

33. Fair Value Measurements (continued)

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, 2019 and December 31, 2018 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, 2019	**Six-Month Period Ended June 30, 2018**
From Level 1 to Level 2		
Financial assets at FVOCI	2 866,9	15 980,5
From Level 2 to Level 1		
Financial assets at FVOCI	3 612,7	2 916,7

The table below shows the analysis of derivatives at fair value through profit or loss as at June 30, 2019 and as at December 31, 2018:

	Contractual amount		Assets – positive	Liailitibes – negative
	Receivables	**Payables**	**fair value**	**fair value**
June 30, 2019				
Currency swaps	156 510,3	(155 979,8)	685,1	(154,6)
December 31, 2018				
Currency swaps	62 302,5	(61 377,3)	1 029,4	(104,2)