Public Joint-Stock Company
"Moscow Exchange MICEX-RTS"

Consolidated Financial Statements
for the Year Ended December 31, 2019[1]

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Information Technology systems and related controls. We determined this area as a key audit matter because functioning of the financial accounting and reporting systems are dependent on integrity of complex information technology (the "IT") systems, and on the effectiveness of related control procedures. There is a risk that automated accounting procedures and IT related manual controls are not properly designed or operating ineffectively. We focused on testing of trading and clearing systems and accounting system ("Oracle" or "OeBS"), as the most significant proportion of revenue is recognized based on automated data generated by these systems.	We tested design and operating effectiveness of general IT and certain application controls over significant IT systems that support information capture and processing in the financial accounting and reporting processes. In respect of these systems we obtained understanding and tested operating effectiveness of key controls, including: • access management, including user rights granting and termination; • change management – testing and approvals of changes in algorithms and key reports used in preparation of the financial statements; • data transfer controls that ensure integrity and completeness of data transferred in and out of OeBS.
Internal controls over back-office payments and commodity collateral safeguarding During 2019, the Group incurred losses related to shortages of grain used as a collateral under swap trades on the commodity market (as disclosed in Note 11) and several incorrectly processed back-office payments (as disclosed in Note 12). In response to the identified risks, the Group has taken measures to improve the system of internal controls over commodity safeguarding and back-office payments (as disclosed in Note 36). We identified this area as a key audit matter due to significance of challenges faced by the Group as a response to the incidents, including remediation actions and revisions of the internal controls relating to safeguarding of assets and prevention of financial losses. The extent of audit effort to evaluate the changes to the Group's systems and processes was significant and required involvement of professionals with relevant expertise.	We examined the Group's internal investigation reports and other supporting and primary documents in order to determine whether the cases identified had significant effect on the consolidated financial statements. We made inquiries of the responsible employees and management, performed public information search on the individuals and companies involved, analyzed remediation plans and actions undertaken to improve risk management and internal controls over commodity safeguarding and back-office payments. Further we evaluated whether all significant non-routine transactions during the year had business rationale and were appropriately authorised. We tested journal entries that exhibit certain characteristics, which were identified using electronic data interrogation and manual techniques. We obtained an understanding of business processes and internal controls over the financial closing and reporting processes and performed other audit procedures we considered appropriate in the circumstances. We also assessed appropriateness of corporate governance procedures such as communication to the Supervisory Board, the Audit Commission, and other relevant bodies.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor’s report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Shvetsov Andrei Viktorovich,
Engagement partner

5 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2019

(in millions of Russian rubles)

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Fee and commission income	4	26,181.4	23,647.1
Interest and other finance income	5	13,634.3	17,932.2
Interest expense	6	(2,919.4)	(446.5)
Net gain on financial assets at fair value through other comprehensive income		1,494.3	262.0
Foreign exchange gains less losses	7	4,503.8	(1,686.7)
Other operating income	8	335.1	193.3
Operating Income		**43,229.5**	**39,901.4**
General and administrative expenses	9	(8,321.4)	(7,941.4)
Personnel expenses	10	(7,113.9)	(6,512.3)
Profit before Other Operating Expenses and Tax		**27,794.2**	**25,447.7**
Other operating expenses	11	(2,614.8)	(1,075.2)
Profit before Tax		**25,179.4**	**24,372.5**
Income tax expense	13	(4,978.8)	(4,652.2)
Net Profit		**20,200.6**	**19,720.3**
Attributable to:			
Equity holders of the parent		20,189.0	19,716.5
Non-controlling interest		11.6	3.8
Earnings per share (rubles)			
Basic earnings per share	30	8.96	8.76
Diluted earnings per share	30	8.96	8.74

Chairman of the Executive Board
Y.O. Denisov

March 5, 2020
Moscow

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

March 5, 2020
Moscow

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(in millions of Russian rubles)

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Net profit		20,200.6	19,720.3
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(3.0)	1.3
Movement in investment revaluation reserve for financial assets at fair value through other comprehensive income		5,662.4	(3,811.9)
Movement in the credit risk of financial assets at fair value through other comprehensive income	12	27.3	(146.6)
Net loss on investments at fair value through other comprehensive income reclassified to profit or loss		(1,494.3)	(262.0)
Income tax relating to items that may be reclassified	13	(839.0)	844.0
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss		**3,353.4**	**(3,375.2)**
Total comprehensive income		23,554.0	16,345.1
Attributable to:			
Equity holders of the parent		23,551.7	16,337.6
Non-controlling interest		2.3	7.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

(in millions of Russian rubles)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Cash and cash equivalents	14	466,098.8	416,391.2
Financial assets at fair value through profit or loss	15	13,695.4	4,350.9
Due from financial institutions	16	60,424.0	95,377.8
Central counterparty financial assets	17	3,262,670.6	3,312,020.2
Financial assets at fair value through other comprehensive income	18	179,313.4	210,752.4
Property and equipment	19	5,446.6	5,973.9
Intangible assets	20	16,989.0	17,604.3
Goodwill	21	15,971.4	15,971.4
Current tax prepayments		1,481.9	506.0
Assets held for sale	22	105.4	-
Deferred tax asset	13	1,701.5	125.1
Other assets	23	4,696.4	3,511.3
TOTAL ASSETS		**4,028,594.4**	**4,082,584.5**
LIABILITIES			
Balances of market participants	24	565,922.6	606,479.8
Overnight bank loans	25	49,229.1	5,003.1
Central counterparty financial liabilities	17	3,262,670.6	3,312,020.2
Distributions payable to holders of securities	26	11,714.1	24,676.0
Margin account		0.6	979.6
Current tax payables		1,041.5	30.9
Liabilities related to assets held for sale	22	5.8	-
Deferred tax liability	13	2,361.0	3,821.4
Other liabilities	27	3,796.7	3,968.9
TOTAL LIABILITIES		**3,896,742.0**	**3,956,979.9**

	Notes	December 31, 2019	December 31, 2018
EQUITY			
Share capital	28	2,495.9	2,495.9
Share premium	28	32,199.8	32,140.2
Treasury shares	28	(1,504.3)	(1,768.2)
Foreign currency translation reserve		-	(20.9)
Reserves relating to assets held for sale	22	(14.6)	-
Investments revaluation reserve		1,598.2	(1,758.2)
Share-based payments		457.6	710.1
Retained earnings		96,435.1	93,623.3
Total equity attributable to owners of the parent		**131,667.7**	**125,422.2**
Non-controlling interest		184.7	182.4
TOTAL EQUITY		**131,852.4**	**125,604.6**
TOTAL LIABILITIES AND EQUITY		**4,028,594.4**	**4,082,584.5**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

(in millions of Russian rubles)

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Cash flows from operating activities:			
Profit before tax		25,179.4	24,372.5
Adjustments for:			
Depreciation and amortisation charge	9	3,547.3	3,339.5
Net change in deferred commission income		(439.7)	(94.2)
Revaluation of derivatives		888.4	(517.9)
Share-based payment expense	10	95.0	285.8
Unrealized (gain)/loss on foreign exchange operations		(1,250.2)	(277.5)
Gain on disposal of financial assets at FVTOCI		(1,494.3)	(262.0)
Net change in interest accruals		2,512.2	707.6
Net loss on disposal of property and equipment		-	38.3
Change in allowance for expected credit losses	12	2,583.1	(117.5)
Change in other provisions	27	(186.6)	218.3
Cash flows from operating activities before changes in operating assets and liabilities		**31,434.6**	**27,692.9**
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Due from financial institutions		16,277.3	(16,439.5)
Financial assets at FVTPL		(10,618.7)	4,298.0
Central counterparty financial assets		49,544.3	(804,923.7)
Other assets		(3,980.1)	307.5
Increase/(decrease) in operating liabilities:			
Balances of market participants		52,772.2	46,552.0
Overnight bank loans		44,226.0	5,000.0
Central counterparty financial liabilities		(49,544.3)	804,923.7
Distributions payable to holders of securities		(12,610.0)	22,168.2
Margin account		(979.0)	595.0
Other liabilities		582.0	8.7
Cash flows from operating activities before taxation		**117,104.3**	**90,182.8**
Income tax paid		(8,822.3)	(2,965.4)
Cash flows from operating activities		**108,282.0**	**87,217.4**

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Cash flows from / (used in) investing activities:			
Purchase of financial assets at FVTOCI		(90,027.9)	(247,217.8)
Proceeds from disposal of financial assets at FVTOCI		113,926.1	256,372.2
Purchase of property and equipment and intangible assets		(2,071.7)	(1,976.3)
Proceeds from disposal of property and equipment and intangible assets		1.6	5.1
Cash flows from investing activities		**21,828.1**	**7,183.2**
Cash flows from / (used in) financing activities:			
Dividends paid	29	(17,377.2)	(12,320.5)
Sale of treasury shares		-	87.4
Cash outflow for lease liabilities		(209.0)	-
Cash flows used in financing activities		**(17,586.2)**	**(12,233.1)**
Effect of changes in foreign exchange rates on cash and cash equivalents		(62,812.5)	60,979.8
Net increase in cash and cash equivalents		**49,711.4**	**143,147.3**
Cash and cash equivalents, beginning of period	**14**	**416,395.9**	**273,248.6**
Cash and cash equivalents, end of period	**14**	**466,107.3**	**416,395.9**

Interest received by the Group during the year ended December 31, 2019, amounted to RUB 13,409.4 million (December 31, 2018: RUB 18,644.7 million).

Interest paid by the Group during the year ended December 31, 2019, amounted to RUB 2,904.4 million (December 31, 2018: RUB 442.5 million).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 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	**2,495.90**	**32,105.50**	**-1,908.10**	**1,357.00**	**524**	**-18.5**	**-**	**86,546.40**	**121,102.20**	**176.6**	**121,278.80**
Effect of adoption of IFRS 9	**-**	**-**	**-**	**261.3**	**-**	**-**	**-**	**-319.1**	**-57.8**	**-1.7**	**-59.5**
Net profit	-	-	-	-	-	-	-	19,716.50	19,716.50	3.8	19,720.30
Other comprehensive income/(loss)	-	-	-	-3,376.50	-	-2.4	-	-	-3,378.90	3.7	-3,375.20
Total comprehensive income for the period	**-**	**-**	**-**	**-3,376.50**	**-**	**-2.4**	**-**	**19,716.50**	**16,337.60**	**7.5**	**16,345.10**
Dividends declared (Note 29)	-	-	-	-	-	-	-	-12,320.50	(12,320.5)	-	-12,320.50
Share-based payments	-	34.7	139.9	-	186.1	-	-	-	360.7	-	360.7
Total transactions with owners	**-**	**34.7**	**139.9**	**-**	**186.1**	**-**	**-**	**-12,320.50**	**-11,959.80**	**-**	**-11,959.80**
December 31, 2018	**2,495.90**	**32,140.20**	**-1,768.20**	**-1,758.20**	**710.1**	**-20.9**	**-**	**93,623.30**	**125,422.20**	**182.4**	**125,604.60**
Net profit	-	-	-	-	-	-	-	20,189.00	20,189.00	11.6	20,200.60
Other comprehensive income/(loss)	-	-	-	3,356.40	-	4	2.3	-	3,362.70	-9.3	3,353.40
Total comprehensive income for the period	**-**	**-**	**-**	**3,356.40**	**-**	**4**	**2.3**	**20,189.00**	**23,551.70**	**2.3**	**23,554.00**
Foreign currency translation reserve relating to Assets held for sale	-	-	-	-	-	16.9	-16.9	-	-	-	-
Dividends declared (Note 29)	-	-	-	-	-	-	-	-17,377.20	-17,377.20	-	-17,377.20
Share-based payments	-	59.6	263.9	-	-252.5	-	-	-	71	-	71
Total transactions with owners	**-**	**59.6**	**263.9**	**-**	**-252.5**	**-**	**-**	**-17,377.20**	**-17,306.20**	**-**	**-17,306.20**
December 31, 2019	**2,495.90**	**32,199.80**	**-1,504.30**	**1,598.20**	**457.6**	**-**	**-14.6**	**96,435.10**	**131,667.70**	**184.7**	**131,852.40**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

(in millions of Russian rubles, unless otherwise indicated)

Organization

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

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

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

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

Name	Principal activities	December 31, 2019	December 31, 2018
		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%
MOEX Information Security LLC (MOEX Information Security)	Information security services	100%	100%

NCC performs functions of a clearing organization and is the single qualified central counterparty on Russian financial market and holds licences for clearing operations and banking operations for non-banking credit institutions – central counterparties issued by the CBR.

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).

NAMEX is a commodity exchange, which has a licence for organisation of trading in commodities 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 22.

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 1,791 employees as at December 31, 2019 (December 31, 2018: 1,710 employees).

The financial statements approval. Consolidated Financial Statements of the Group were approved for issue by the Management on March 5, 2020.

Basis of Preparation and Significant Accounting Policies

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

Basis of preparation
These Consolidated Financial Statements are presented in millions of Russian rubles rounded to one decimal place, unless otherwise indicated. These consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation for the foreseeable future. These Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value.

These Consolidated Financial Statements have been prepared on basis of the statutory accounting records and have been adjusted to conform to IFRS.

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

	December 31, 2019	December 31, 2018
USD	61.9057	69.4706
EUR	69.3406	79.4605

Significant Accounting Policies

The accounting policies adopted by the Group in the preparation of these 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 December 31, 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.

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.

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.

Impact on the lessee accounting (former operating leases)

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 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.

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 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 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.

The application of IFRS 16 has the following impact on the 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 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	(2.0)
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**

Basis for consolidation

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

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

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

Business combinations

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

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

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

Goodwill

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

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

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

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

Investments in associates

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

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

Inflation accounting

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.

Cash and cash equivalents

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

Financial assets

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:
  c. 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
  d. 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 performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied prospectively to all financial assets existing at the date of initial application of IFRS 9. 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.

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. For the current reporting period, the Group has not identified a change in its business models.

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. Thatprincipal 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.

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 following the change in business model that results in reclassification the Group's financial assets. 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 are recognised on equity investments, financial assets arising from central counterparty (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.

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.

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 over 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.

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 10% 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.

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.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method (for details of the effective interest method see the Interest income and interest expense section above).

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Group enters into derivative financial instruments, some of which are held for trading while others are held to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain/loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Precious metals

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

Property and equipment

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

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

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

Freehold land is not depreciated.

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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.

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.

Fee and commission income and expense

Fee and commission income and expense include fees other than those that are an integral part of EIR (see above). Revenue for services provided over a period is recognized pro rata over the contractual term and consists of commission income on operations with long-term exchange instruments, listing fees, depository fees, and other.

Fee and commission expenses with regards to services are accounted for as the services are received.

Current income tax

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

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

Deferred income tax

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

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

Operating taxes

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

Share-based payments

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

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

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period (Note 10).

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Provisions

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

Contingencies

Contingent liabilities are not recognised in the Consolidated Statement of Financial Position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the Consolidated Statement of Financial Position but disclosed when an inflow of economic benefits is probable.

Fiduciary activities

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

Foreign currencies

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

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

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

Earnings per share

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

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating and financial results are regularly reviewed by the chief operating decision maker (Executive Board) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As at December 31, 2019 and 2018, the Group comprised of four operating segments (Note 35).

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

The management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the board; however, earlier application of the amendments is permitted. The management of the Company anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a Business. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted. The management of the Group does not expect that the application of these amendments will have an impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8 Definition of Material. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards.

The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted. The management of the Group does not expect that the application of these changes will have an impact on the consolidated financial statements of the Group.

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.

Critical accounting judgements

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.

Recoverability of deferred tax assets
The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realised. The carrying value of deferred tax assets amounted to RUB 1,701.5 mln and RUB 125.1 mln as at December 31, 2019 and 2018, respectively.

Key sources of estimation uncertainty

Probability of default
PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 36 for more details, including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

Loss Given Default
LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See Note 2 for more details.

Provision
The companies of the Group are subject to litigations. Such litigations may lead to orders to pay against the entities of the Group. If it is more likely than not that an outflow of resources will occur, a provision will be recognised based on an estimate of the most probable amount necessary to settle the obligation if such amount is reasonably estimable. The Group determines whether there is a possible obligation from past events, evaluates the probability that an outflow will occur and estimates the potential amount of the outflow. As the outcome of litigation is usually uncertain, the judgement is reviewed continuously. See Note 31 for further information.

Impairment of goodwill and other intangible assets
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Details of the goodwill impairment testing are set out in Note 21.
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 year ended December 31, 2019 would be RUB 190.11 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.

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.

Fee and Commission Income

	Year ended December 31, 2019	Year ended December 31, 2018
Money market	6,979.5	6,389.8
Securities market	5,490.0	4,444.0
bonds	2,551.4	2,173.5
equities	2,264.0	1,932.2
listing and other services	674.6	338.3
Depository and settlement services	5,226.8	4,530.7
Foreign exchange	3,547.4	3,990.0
Derivatives	2,852.6	2,318.9
Sale of software and technical services	901.8	695.9
Information services	859.6	792.4
Other	323.7	485.4
Total fee and commission income	**26,181.4**	**23,647.1**

Interest and Other Finance Income

	Year ended December 31, 2019	Year ended December 31, 2018
Gain/(loss) on financial assets at FVTPL		
Interest income	255.1	154.0
Net gain/(loss) on financial assets at FVTPL	151.2	(8.9)
Total gain on financial assets at FVTPL	**406.3**	**145.1**
Interest income on financial assets other than at FVTPL		
Interest income on financial assets at FVTOCI	9 529.2	12 336.3
Interest on cash and cash equivalents and due from financial institutions	3 698.8	5 450.8
Total interest income on financial assets other than at FVTPL	**13 228.0**	**17 787.1**
Total interest and other finance income	**13 634.3**	**17 932.2**

Interest Expense

	Year ended December 31, 2019	Year ended December 31, 2018
Interest expense on interbank loans and deposits	2,477.6	155.1
Interest expense on accounts of clearing participants	389.2	271.2
Interest expense on stress collateral	37.1	17.6
Interest expense on lease liabilities	10.7	-
Interest expense on repo agreements and other	4.8	2.7
Total interest expense	**2,919.4**	**446.5**

Foreign Exchange Gains Less Losses

	Year ended December 31, 2019	Year ended December 31, 2018
Foreign exchange swaps	4,235.2	(1,757.5)
Net result from other foreign exchange operations	268.6	70.8
Total foreign exchange gains less losses	**4,503.8**	**(1,686.7)**

Net gain on foreign exchange swaps includes gains/(losses) from swap deals used to hedge open foreign currency position of the Group and gain from swap transactions used to earn interest income from ruble-denominated funds.

Other Operating Income

	Year ended December 31, 2019	Year ended December 31, 2018
Foreign exchange swaps	218.3	-
Net result from other foreign exchange operations	-	117.5
Total foreign exchange gains less losses	116.8	75.8
Total other operating income	**335.1**	**193.3**

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 (Note 11, Note 27) 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.

General and Administrative Expenses

	Year ended December 31, 2019	Year ended December 31, 2018
Amortisation of intangible assets (Note 20)	2,346.8	1,995.6
Equipment and intangible assets maintenance	1,381.4	1,205.5
Depreciation of property and equipment (Note 19)	1,200.5	1,343.9
Market makers fees	674.6	517.0
Taxes, other than income tax	603.9	554.3
Professional services	538.4	572.6
Advertising and marketing costs	330.0	376.1
Rent and office maintenance	318.4	484.6
Registrar and foreign depository services	312.6	292.3
Information services	307.3	237.6
Business trip expenses	84.4	83.7
Communication services	82.8	104.7
Security expenses	30.3	29.7
Charity	24.1	27.5
Transport expenses	20.3	19.0
Loss on disposal of property, equipment and intangible assets	-	38.3
Other	65.6	59.0
Total general and administrative expenses	**8,321.4**	**7,941.4**

Professional services comprise consulting, audit, legal services and other services. Rent and office maintenance expenses for the year ended December 31, 2019 include only short-term expenses due to adoption of IFRS 16 Leases.

Personnel Expenses

	Year ended December 31, 2019	Year ended December 31, 2018
Employees benefits except for share-based payments	5,890.1	5,250.8
Payroll related taxes	1,128.8	975.7
Share-based payment expense on equity settled instruments	71.0	273.3
Share-based payment expense on cash settled instruments	24.0	12.5
Total personnel expenses	**7,113.9**	**6,512.3**

Rights to purchase equity instruments granted to some employees give 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. The 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 in 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 under 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. The 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	12,900,000	113.86
Exercised (Note 28)	(2,058,440)	73.64
Forfeited	(2,533,334)	111.81
Redeemed	(1,498,226)	73.64
Outstanding at January 1, 2019	**49,734,517**	**98.97**
Granted	5,625,000	106.87
Exercised (Note 28)	(3,882,662)	71.36
Forfeited	(6,659,513)	104.55
Redeemed	(14,350,675)	71.36
Outstanding at December 31, 2019	**30,466,667**	**109.94**

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

No cash settled instruments were granted during the year ended December 31, 2019 (December 31, 2018: 235,720). The weighted average remaining contractual life is 0.37 years (December 31, 2018: 1.02 years).

175,252 cash settled instruments were exercised during the year ended December 31, 2019 with WAEP of RUB 87.10 (December 31, 2018: 80,342 with WAEP of RUB 118.86).

The number of equity rights exercisable as at December 31, 2019 is 12,916,667 with WAEP of RUB 114.42 (December 31, 2018: 22,941,573 with WAEP of RUB 81.49).

The weighted average fair value of equity rights granted during the year ended December 31, 2019 was RUB 9.70 (December 31, 2018: RUB 17.50).

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

Exercise price	December 31, 2019		December 31, 2018	
	Number outstanding	Weighted average remaining contractual life	Number outstanding	Weighted average remaining contractual life
46.9–62.0	-	-	-	-
62.0–77.0	-	-	15,000,000	-
77.0–102.0	6,700,000	1.28	4,183,337	0.76
107.0–122.0	23,766,667	0.34	30,551,180	1.07
	30,466,667	**0.55**	**49,734,517**	**0.72**

The following table lists the inputs to the models used:

Assumption	Equity settled		Cash settled	
	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
Expected volatility	23.0%	24.7%	19.7%	25.6%
Risk-free interest rate	7.4%	6.8%	5.5%	7.9%
Weighted average share price, RUB	80.94	113.65	107.86	96.85
Dividend yield	8.7%	6.5%	7.1%	6.8%

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.

Other Operating Expenses

	Year ended December 31, 2019	Year ended December 31, 2018
Movement in allowance for ECLs (Note 12)	2,583.1	-
Provision for losses related to potential commodity market shortages	31.7	-
Legal case provision	-	218.3
Operational error provision	-	856.9
Total other operating expenses	**2,614.8**	**1,075.2**

Grain

In the first quarter of 2019, a subsidiary of the Group that operates as a Commodity Delivery Operator (CDO) found, during regular inspections of commodities stored in grain warehouses, several instances where grain stockpiles used as collateral under swap trades were missing, allegedly due to theft. This risk related to use of a partner's infrastructure for storing commodity assets is inherent exclusively to the agricultural products market.
The Group's risk protection system and risk monitoring on the grain market consists of evaluation of technical condition and financial position of counterparty (certification), regular independent surveys with rotation of surveyors, and insurance coverage, including covering the risk of fraud, which size which size was sufficient to cover possible losses based on previous cases in the market.
The Group has undertaken all nesessary actions, such as: has filed 12 claims for the initiation of criminal and civil proceedings, demanding the execution of trades, reclaiming missing collateral and claiming insurance.

The amount receivable from the accredited grain elevators and sugar warehouses is presented as other assets (Note 23), for which a 100% provision has been created. The total amount of provisions for CDO operations as at 31 December 2019 is RUB 2,368.2 million.

Sugar

Despite the fact that there have been no instances of missing sugar stocks, the Group has applied a conservative approach to creating provisions for sugar stockpiles at wharehouses. On a regular basis, the Group conducts on-site inspections to ensure the security and quality of sugar stockpiles.

Money Market default

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 (Note 27). 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.

Movement in Allowance for Expected Credit Losses

The information on the movement in the allowance for expected credit losses of the Group for the years ended December 31, 2019 and 2018, is provided below.

	Cash and cash equivalents	Due from credit institutions	Financial assets at FVTOCI	Other financial assets	Total
Note	14	16		23	
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	**5.2**	**23.7**	**338.6**	**73.0**	**440.5**
(with IFRS 9 effect)	(0.5)	12.6	(146.6)	17.0	(117.5)
Net (reversal) / charge for the period	-	-	-	(5.5)	(5.5)
Write-offs	**4.7**	**36.3**	**192.0**	**84.5**	**317.5**
December 31, 2018	(3.0)	(36.2)	27.3	2 595.0	2 583.1
Net (reversal) / charge for the period	-	-	-	(237.2)	(237.2)
Write-offs	**1.7**	**0.1**	**219.3**	**2 442.3**	**2 663.4**
December 31, 2019					

In the first quarter 2019 the Group's management had 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. Also, the Group's management created the provision on receivables at the amount of RUB 265.9 million. As at the reporting date, the receivables in the amount of RUB 223.8 million were written off against provision as uncollectible, the excess of provision was recovered.

Total net charge of the allowance for expected credit losses of the Group for the year ended December 31, 2019 is included in other operating expence within Consolidated Statement of Profit or Loss (Note 11). Net reversal for the year ended December 31, 2018 is included in other operating income within Consolidated Statement of Profit or Loss (Note 8).

As at December 31 2019 and 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 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 December 31, 2019 and 2018, is provided below.

	Cash and cash equivalents	Due from credit institutions	Financial assets at FVTOCI	Other financial assets	Total
Note	14	16		23	
December 31, 2019					
Stage 1 assets	466,100.5	60,424.1	179,313.4	721.4	706,559.4
Stage 2 assets	-	-	-	358.3	358.3
Stage 3 assets	-	-	-	2,396.4	2,396.4
Total financial assets	**466,100.5**	**60,424.1**	**179,313.4**	**3,476.1**	**709,314.1**
Allowance for Stage 1 assets	(1.7)	(0.1)	(219.3)	(6.2)	(227.3)
Allowance for Stage 2 assets	-	-	-	(39.7)	(39.7)
Allowance for Stage 3 assets	-	-	-	(2,396.4)	(2,396.4)
Total allowance for expected credit losses	**(1.7)**	**(0.1)**	**(219.3)**	**(2,442.3)**	**(2,663.4)**
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)**

The tables below analyze information about the significant changes in the gross carrying amount of other financial assets during the period that contributed to changes in the loss allowance as well as the movement of the loss allowance during the 2018:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at January 1, 2018	**706.3**	**14.7**	**37.2**	**758.2**
New financial assets originated or purchased less financial assets that have been derecognized due to being redeemed or sold	254.2	-	-	254.2
Transfer to stage 1	7.5	(7.5)	-	-
Transfer to stage 3	-	(2.9)	2.9	-
Write-offs	-	-	(5.5)	(5.5)
Gross carrying amount at December 31, 2018	**968.0**	**4.3**	**34.6**	**1006.9**
Loss allowance at December 31, 2018	**(49.4)**	**(0.5)**	**(34.6)**	**(84.5)**
Loss allowance at January 1, 2018	**32.8**	**3.0**	**37.2**	**73.0**
Net increase/(decrease) in credit risk	15.1	(0.4)	2.3	17.0
Transfer to stage 1	1.5	(1.5)	-	-
Transfer to stage 3	-	(0.6)	0.6	-
Write-offs	-	-	(5.5)	(5.5)
Loss allowance at December 31, 2018	**49.4**	**0.5**	**34.6**	**84.5**

The tables below analyze information about the significant changes in the gross carrying amount of other financial assets during the period that contributed to changes in the loss allowance as well as the movement of the loss allowance during the 2019:

	Стадия 1	Стадия 2	Стадия 3	Итого
Gross carrying amount at January 1, 2019	**968.0**	**4.3**	**34.6**	**1,006.9**
New financial assets originated or purchased less financial assets that have been derecognized due to being redeemed or sold	2,706.4	-	-	2,706.4
Transfer to stage 2	(354.0)	354.0	-	-
Transfer to stage 3	(2,599.0)		2,599.0	-
Write-offs	-	-	(237.2)	(237.2)
Gross carrying amount at December 31, 2019	**721.4**	**358.3**	**2,396.4**	**3,476.1**
Loss allowance at December 31, 2019	**(6.2)**	**(39.7)**	**(2,396.4)**	**(2,442.3)**
Loss allowance at January 1, 2019	**49.4**	**0.5**	**34.6**	**84.5**
New financial assets originated or purchased less financial assets that have been derecognized due to being redeemed or sold	23.4	-	(23.4)	-
Transfer to stage 2	(3.1)	3.1	-	-
Transfer to stage 3	(22.5)	-	22.5	-
Net increase/(decrease) in credit risk	(41.0)	36.1	2,599.9	2,595.0
Write-offs	-	-	(237.2)	(237.2)
Loss allowance at December 31, 2019	**6.2**	**39.7**	**2,396.4**	**2,442.3**

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.

The analysis of the temporary differences as at December 31, 2019 and 2018, is presented below:

	December 31, 2019	December 31, 2018
Tax effect from deductible temporary differences:		
Cash, cash equivalents and amounts due from financial institutions	0.4	8.1
Financial assets at FVTPL	87.2	0.3
Financial assets at FVTOCI	799.7	22.1
Property and equipment and intangible assets	23.5	21.7
Other assets	711.0	25.8
Other liabilities	511.6	739
Tax loss carried forward	10.1	13.4
Total tax effect from deductible temporary differences	**2,143.5**	**830.4**
Tax effect from taxable temporary differences:		
Financial assets at FVTPL	(4.6)	(181.3)
Financial assets at FVTOCI	(6.1)	(1,293.1)
Property and equipment and intangible assets	(2,785.9)	(3,039.5)
Other assets	(4.9)	(11.8)
Other liabilities	(1.5)	(1.0)
Total tax effect from taxable temporary differences	**(2,803.0)**	**(4,526.7)**
Deferred income tax assets	**1,701.5**	**125.1**
Deferred income tax liabilities	**(2,361.0)**	**(3,821.4)**

	Year ended December 31, 2019	Year ended December 31, 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	(839.0)	844.0
Change in deferred income tax balances recognised in profit or loss	3,878.2	(1,855.1)
Effect of movements in exchange rates	-	(0.1)
Deferred income tax transferred to assets of disposal group held for sale	(2.4)	-
End of the period – deferred tax assets	**1,701.5**	**125.1**
End of the period – deferred tax liabilities	**(2,361.0)**	**(3,821.4)**

Reconciliation of income tax expense and accounting profit for the year ended December 31, 2019 and 2018, are explained below:

	Year ended December 31, 2019	Year ended December 31, 2018
Profit before income tax	**25,179.4**	**24,372.5**
Tax at the statutory tax rate (20%)	5,035.9	4,874.5
Tax effect of income taxed at rates different from the prime rate	(321.0)	(398,8)
Non-deductible expenses for tax purposes	262.3	176.3
Adjustments in respect of current income tax of previous years	1.6	507.3
Deferred tax from a previously unrecognised temporary difference of a prior period	-	(507.1)
Income tax expense	**4,978.8**	**4,652.2**
Current income tax expense	8,855.4	2,289.8
Current income tax expense related to previous years	1.6	507.3
Deferred taxation movement due to origination and reversal of temporary differences	(3,879.8)	1,856.4
Deferred taxation movement due to tax losses carried forward	1.6	(1.3)
Income tax expense	**4,978.8**	**4,652.2**

Cash and Cash Equivalents

	December 31, 2019	December 31, 2018
Correspondent accounts and overnight deposits with banks	415,657.5	398,747.5
Balances with the CBR	50,416.2	17,641.7
Receivables on broker and clearing operations	22.5	1.0
Cash on hand	**13,695.4**	**4,350.9**
Total cash and cash equivalents	4.3	5.7
Less allowance for ECL (Note 12)	**466,100.5**	**416,395.9**
Total cash and cash equivalents	(1.7)	(4.7)
Total cash and cash equivalents before allowance for ECL	**466,098.8**	**416,391.2**
Cash and cash equivalents attributable to Assets of disposal group held for sale	6.8	-
Cash and cash equivalents for the purpose of Consolidated Statement of Cash Flows	**466,107.3**	**416,395.9**

As at December 31, 2019, the Group has balances with eight counterparties, each of which is greater than 10% of equity (December 31, 2018: seven counterparties). The total aggregate amount of these balances is RUB 431,356.3 million or 93% of total cash and cash equivalents as at December 31, 2019 (December 31, 2018: RUB 391,448.4 million or 94% of total cash and cash equivalents).

Financial Assets at Fair Value Through Profit or Loss

	December 31, 2019	December 31, 2018
Eurobonds issued by Russian companies	13,418.5	3,188.5
Shares issued by Russian companies	139.8	120.5
Derivative financial instruments	69.6	1,029.4
Shares issued by foreign companies	67.5	12.5
Total financial assets at FVTPL	**13,695.4**	**4,350.9**

The table below shows the analysis of derivatives of the Group as at December 31, 2019 and 2018:

	Fair value of principal amount or agreed amount		Assets - positive fair value	Liabilities - negative fair value
	Receivables	Payables		
December 31, 2019				
Currency swaps	70,945.1	(70,908.3)	69.6	(32.8)
December 31, 2018				
Currency swaps	62,302.5	(61,377.3)	1,029.4	(104.2)

As at December 31, 2019, the negative fair value of derivative financial instruments in the amount of RUB 32.8 million is included in other liabilities (Note 27) (December 31, 2018: RUB 104.2 million).

Due from Financial Institutions

Due from financial institutions are presented as follows:

	December 31, 2019	December 31, 2018
Reverse repo receivables from financial institutions	48,445.5	48,382.7
Interbank loans and term deposits	7,789.3	42,728.5
Correspondent accounts and deposits in precious metals	4,189.1	4,301.8
Receivables on broker and clearing operations	0.2	1.1
Total due from financial institutions	**60,424.1**	**95,414.1**
Less allowance for ECL (Note 12)	(0.1)	(36.3)
Total due from financial institutions	**60,424.0**	**95,377.8**

As at December 31, 2019, the Group has balances with one counterparty, which is greater than 10% of equity (December 31, 2018: two counterparties). The amount of this balance is RUB 38,399.8 million or 64% of the total amount due from financial institutions as at December 31, 2019 (December 31, 2018: RUB 56,215.7 million or 59% of the total amount due from financial institutions).

As at December 31, 2019 the fair value of bonds pledged under reverse repo was RUB 60,190.2 million (December 31, 2018: RUB 59,455.3 million).

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 7,683.7 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 7,683.7 million (December 31, 2018: RUB 7,805.5 million).

Central Counterparty Financial Assets and Liabilities

	December 31, 2019	December 31, 2018
Repo transactions	3,259,579.2	3,310,008.3
Currency transactions	3,091.4	2,011.9
Total CCP financial assets and liabilities	**3,262,670.6**	**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 December 31, 2019 the fair value of securities purchased and sold by the Group under repo transactions is RUB 3,771,234.9 million (December 31, 2018: RUB 3,706,037.1 million).

As at December 31, 2019 and 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. Information about financial assets offset against financial liabilities in the statement of financial position is disclosed in Note 37.

Financial Assets at Fair Value through Other Comprehensive Income

	December 31, 2019	December 31, 2018
Bonds issued by the Russian Federation	85,834.1	133,825.1
Bonds issued by foreign companies	40,479.8	25,099.6
Bonds issued by Russian companies	32,063.1	24,160.5
Bonds issued by Russian banks	20,167.7	17,590.8
Bonds issued by foreign banks	768.7	-
Bonds issued by the CBR	-	10,076.4
Total financial assets at FVTOCI	**179,313.4**	**210,752.4**

Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Construc-tion 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	-	-	645.4	39.5	-	684.9
Reclassification	-	-	1.3	(1.3)	-	-
Disposals	-	-	(371.4)	-	-	(371.4)
Effect of movements in exchange rates	0.5	2.8	0.5	-	-	3.8
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	-	-	405.7	49.9	15.6	471.2
Reclassification	-	-	46.7	(46.7)	-	-
Disposals	-	-	(119.2)	-	-	(119.2)
Reclassification to assets held for sale	(10.1)	(60.4)	(14.2)	-	-	(84.7)
Effect of movements in exchange rates	(1.2)	(6.9)	(1.4)	-	-	(9.5)
December 31, 2019	**208.5**	**5,798.6**	**7,392.6**	**50.2**	**284.6**	**13,734.5**
Accumulated depreciation						
December 31, 2017	**-**	**1,453.0**	**4,801.2**	**-**	**-**	**6,254.2**
Charge for the period	-	118.1	1,225.8	-	-	1,343.9
Disposals	-	-	(365.4)	-	-	(365.4)
Effect of movements in exchange rates	-	0.5	0.6	-	-	1.1
December 31, 2018	**-**	**1,571.6**	**5,662.2**	**-**	**-**	**7,233.8**
Charge for the period	-	118.0	891.0	-	191.5	1,200.5
Disposals	-	-	(117.9)	-	-	(117.9)
Reclassification to assets held for sale	-	(15.4)	(10.3)		-	(25.7)
Effect of movements in exchange rates	-	(1.6)	(1.2)	-	-	(2.8)
December 31, 2019	**-**	**1,672.6**	**6,423.8**	**-**	**191.5**	**8,287.9**
Net book value						
December 31, 2018	**219.8**	**4,294.3**	**1,412.8**	**47.0**	**-**	**5,973.9**
December 31, 2019	**208.5**	**4,126.0**	**968.8**	**50.2**	**93.1**	**5,446.6**

As at December 31, 2019, historical cost of fully depreciated property and equipment amounts to RUB 5,350.3 million (December 31, 2018: RUB 3,243.2 million).

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	956.9	-	372.6	1,329.5
Reclassification	189.7	-	(189.7)	-
Disposals	(191.0)	-	(19.6)	(210.6)
Effect of movements in exchange rates	0.1	-	-	0.1
December 31, 2018	**5,872.1**	**19,606.7**	**777.2**	**26,256.0**
Additions	773.0	**-**	959.4	1,732.4
Reclassification	322.0	**-**	(322.0)	-
Disposals	(49.6)	-	(0.3)	(49.9)
Reclassification to assets held for sale	(1.7)	-	-	(1.7)
Effect of movements in exchange rates	(0.2)	-	-	(0.2)
December 31, 2019	**6,915.6**	**19,606.7**	**1,414.3**	**27,936.6**
Accumulated amortisation and impairment				
December 31, 2017	**1,719.4**	**5,109.7**	**-**	**6,829.1**
Charge for the period	819.2	1,176.4	-	1,995.6
Disposals	(173.2)	-	-	(173.2)
Effect of movements in exchange rates	0.2	-	-	0.2
December 31, 2018	**2,365.6**	**6,286.1**	**-**	**8,651.7**
Charge for the period	1,170.4	1,176.4	-	2,346.8
Disposals	(49.6)	-	-	(49.6)
Reclassification to assets held for sale	(1.2)	-	-	(1.2)
Effect of movements in exchange rates	(0.1)	-	-	(0.1)
December 31, 2019	**3,485.1**	**7,462.5**	**-**	**10,947.6**
Net book value				
December 31, 2018	**3,506.5**	**13,320.6**	**777.2**	**17,604.3**
December 31, 2019	**3,430.5**	**12,144.2**	**1,414.3**	**16,989.0**

Goodwill

As at December 31, 2019 and 2018, the Group's goodwill amounted to RUB 15,971.4 million.

Impairment Test for Goodwill

Goodwill must be tested annually for impairment, or more frequently when there are indicators that impairment may have occurred. Goodwill is recorded at cost less accumulated impairment losses. Impairment losses recognised on goodwill are not reversed.

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGU") for impairment testing:

	Trading services	Clearing	Depository	Total
Goodwill	10,774.1	3,738.7	1,458.6	15,971.4

The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by Management of the Group covering the seventeen-year period. Discount rate of 13.6% p.a. is applied to cash flows. Value in use calculations for each CGU are based on key assumptions about short and medium term revenue and cost growth and long-term economic growth rates (used to determine terminal values).

The values assigned to short and medium term revenue and cost growth assumptions are based on the Group's approved business plan. The assumptions are derived from an assessment of current trends and the Group's long-term strategic objectives.

Based on the results of the impairment tests performed no impairment of the carrying value of the goodwill in any CGU was identified.

Value in use calculations for each CGU are sensitive to changes in discount rates. Management of the Group carried out sensitivity analysis to determine the impacts of changes in this variable on the calculated value in use: change of 150 bps in the discount rate. As at December 31, 2019 the sensitivity analysis revealed the cumulative value in use of the segments 10.8% lower or 13.7% higher than the value in use estimated, which does not lead to any significant change of the results of goodwill impairment testing in any CGU (December 31, 2018: 10.7% lower or 13.7% higher).

Assets Held for Sale

In March 2019, the Supervisory board approved a plan to sell ETS. Therefore, as at December 31, 2019 the Group presented ETS as disposal group held for sale under IFRS 5 "Non-current assets held for sale and discontinued operations". During 2019 ETS generated net cash inflows from operating activities of RUB 39.9 million. Foreign currency revaluation reserve accumulated in equity related to disposal group is RUB 14.6 million loss.

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

	December 31, 2019
Assets of the disposal group held for sale	
Cash and cash equivalents	6.8
Due from financial institutions	16.2
Property and equipment	59.0
Intangible assets	0.5
Other assets	22.9
Total assets of the disposal group held for sale	**105.4**
Liabilities of the disposal group held for sale	
Other liabilities	5.8
Total liabilities of the disposal group held for sale	**5.8**

Other Assets

	December 31, 2019	December 31, 2018
Other financial assets:		
Receivables on services rendered and other operations	3,476.1	1,006.9
Less allowance for ECLs (Note 12)	(2,442.3)	(84.5)
Total other financial assets	**1,033.8**	**922.4**
Other non-financial assets:		
Precious metals	3,134.3	1,976.8
Prepaid expenses and advances	447.9	392.2
Taxes receivable other than income tax	46.9	64.7
Non-current assets prepaid	24.8	141.1
Other	8.7	14.1
Total other assets	**4,696.4**	**3,511.3**

Balances of Market Participants

	December 31, 2019	December 31, 2018
Accounts of clearing participants	450,993.4	521,359.0
Other current and settlement accounts	83,110.5	58,121.3
Stress collateral	19,006.2	14,629.7
Accounts of clearing participants in precious metals	7,336.3	6,278.4
Risk-covering funds	5,476.2	6,091.4
Total balances of market participants	**565,922.6**	**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 are 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 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).

Overnight bank loans

	December 31, 2019	December 31, 2018
Overnight bank loans	49,229.1	5,003.1
Total overnight bank loans	**49,229.1**	**5,003.1**

As at December 31, 2019, the Group has balances with one counterparty, which is greater than 10% of equity (December 31, 2018: none). The amount of this balance is RUB 31.741.4 million or 64% of the total overnight bank loans as at December 31, 2019 (December 31, 2018: none).

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.

Other Liabilities

	December 31, 2019	December 31, 2018
Other financial liabilities		
Trade and other payables	720.6	633.7
Payables to employees	337.2	293.9
Lease liabilities	86.6	-
Derivative financial liabilities	32.8	104.2
Dividends payable	0.3	0.2
Total other financial liabilities	**1,177.5**	**1,032.0**
Other non-financial liabilities		
Personnel remuneration provision	1,723.2	1,601.4
Taxes payable, other than income tax	435.5	405.9
Advances received	258.0	239.3
Tax agent liabilities regarding distributions payable to holders of securities	170.8	32.3
Provision (Notes 8, 11)	31.7	218.3
Deferred commission income	-	439.7
Total other liabilities	**3,796.7**	**3,968.9**

The movement of provision is provided below:

	Year ended December 31, 2019	Year ended December 31, 2018
Beginning of the period	**218.3**	**-**
Net charge for the period (Note 11)	31.7	1,075.2
Write-offs (Note 27)	-	(856.9)
Recovery of legal case provision (Note 8)	(218.3)	-
End of the period	**31.7**	**218.3**

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)	-	2,058,440
December 31, 2018	**2,276,401,458**	**(26,014,430)**
Exercised equity instruments (Note 10)	-	3,882,662
December 31, 2019	**2,276,401,458**	**(22,131,768)**

Share premium represents an excess of contributions received over the nominal value of shares issued. The number of authorized shares during the years ended December 31, 2019 and 2018, is 12,095,322,151.

During the year ended December 31, 2019 the Group distributed to employees 3,882,662 treasury shares under exercised equity instruments (December 31, 2018: 2,058,440 treasury shares) (Note 10).

Retained Earnings

During the year ended December 31, 2019 the Group declared and paid to the owners of the parent dividends for the year ended December 31, 2018 of RUB 17,377.2 million. The amount of dividends per share is RUB 7.70 per ordinary share (for the year ended December 31, 2018 of RUB 12,320.5 million; dividends per share: RUB 5.47).

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.

Earnings Per Share

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

	Year ended December 31, 2019	Year ended December 31, 2018
Net profit attributable to ordinary equity holders of the parent	**20,189.0**	**19,716.5**
Weighted average number of shares	**2,253,209,254**	**2,249,496,134**
Effect of dilutive share options	1,075,924	6,061,693
Weighted average number of shares adjusted for the effect of dilution	**2,254,285,178**	**2,255,557,827**
Basic earnings per share, RUB	8.96	8.76
Diluted earnings per share, RUB	8.96	8.74

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. The Group has made a provision for potential losses on legal cases, which was included in these Consolidated Financial Statements (Note 8, Note 11 and Note 27).

Operating environment – The Russian economy continued to be negatively impacted by ongoing political tension in the region and continuing international sanctions imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

Commodities
Acting as CDO the Group provides safekeeping of commodities required for clearing purposes. As at 31 December 2019 the Group had 3,800 tonns of sugar and 5.1 tonns of grain in safekeeping (31 December 2018: 1.5 tonns of sugar and 292,755.6 tonns of grain). The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Fiduciary activities – The Group provides depositary services to its customers. As at December 31, 2019 and 2018, the Group had customer securities totaling 101,739 bln items and 123,590 bln items, respectively, in its nominal holder accounts. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Taxation – Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

In 2018, amendments were introduced to the Tax Code of the Russian Federation and certain other legislative acts, which provides, among other things, an increase in the general rate of Value Added Tax (VAT) from 18% to 20%. The new rates will apply to goods, work, services, and property rights supplied starting from January 1, 2019.

As at December 31, 2019 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

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

	December 31, 2019	December 31, 2018
Other liabilities	403.9	499.9
Share-based payments	169.8	427.8

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

	Year ended December 31, 2019	Year ended December 31, 2018
Short-term employee benefits	565.9	509.8
Long-term employee benefits	90.1	98.5
Share-based payment expense on equity settled instruments	22.3	111.4
Total remuneration of key management personnel	**678.3**	**719.7**

(b) Transactions with government-related entities

As at December 31, 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 December 31, 2019 and 2018, and for the years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	132,337.4	141,543.9
Due from financial institutions	105.6	4,098.9
Central counterparty financial assets	947,805.0	987,644.2
Financial assets at FVTOCI	116,345.6	187,486.7
Other assets	427.4	396.6
LIABILITIES		
Balances of market participants	244,708.6	272,766.2
Overnight bank loans	42,343.1	-
Central counterparty financial liabilities	1,852,415.6	1,806,265.5
Distributions payable to holders of securities	9,354.8	22,210.6
Other liabilities	97.6	195.4

	Year ended December 31, 2019	Year ended December 31, 2018
Fee and commission income	9,264.4	8,087.1
Interest and other finance income	8,389.2	12,330.4
Interest expense	(2,601.3)	(223.3)
Net gain on financial assets at FVOCI	1,411.3	242.3
Other operating income	11.0	24.5
Administrative and other expenses	(228.9)	(276.2)

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 tables below show financial assets and liabilities measured at fair value at December 31, 2019 and 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	13,418.5	69.6	207.3	13,695.4
CCP financial assets and liabilities (currency transactions)	3,091.4	-	-	3,091.4
Financial assets at FVTOCI	171,028.0	8,285.4	-	179,313.4
Derivative financial liabilities	-	(32.8)	-	(32.8)

	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)

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 December 31, 2019 and 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 Consolidated Statement of Financial Position approximates their carrying value.

Transfers between level 1 and 2

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

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

	Transfers between Level 1 and Level 2	
	Year ended December 31, 2019	Year ended December 31, 2018
From Level 1 to Level 2		
Financial assets at FVOCI	1,706.7	7,008.6
From Level 2 to Level 1		
Financial assets at FVOCI	5,031.1	5,151.1

Capital Management

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

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

The Group entities are subject to capital requirements established by the CBR in respect of the minimum amount of own funds for each entity depending on the nature of their activities. NSD and NCC as credit institutions have to maintain a ratio of capital to risk weighted assets (statutory capital ratio N1) above the prescribed minimum level, which is 12% for NSD and 100% for NCC as a central counterparty. Moscow Exchange and NAMEX have to maintain capital adequacy ratio at minimum level 100%.

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

	Own funds		Own funds requirements		Capital adequacy ratio	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Moscow Exchange	46,344.3	48,490.1	100.0	100.0	273	-
NCC	70,580.6	65,700.9	300.0	300.0	164.70	153.20
NSD	9,767.8	8,927.5	4,000.0	4,000.0	31.82	27.94
NAMEX	197.3	179.2	100.0	100.0	326.78	-

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

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, 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 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.

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

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.

The information on income and expenses of the Group broken down into operating segments for the years ended December, 2019 and 2018, is provided below.

				Year ended December 31, 2019	
	Trading services	Clearing	Depository	Other services	Total
INCOME					
Fee and commission income	9,559.1	9,498.6	5,443.4	1,680.3	26,181.4
Net interest and other finance income[1]	5,305.6	9,302.6	2,104.8	-	16,713.0
Other operating income	-	-	-	335.1	335.1
Total income	**14,864.7**	**18,801.2**	**7,548.2**	**2,015.4**	**43,229.5**
EXPENSES					
Personnel expenses	(3,335.0)	(1,122.7)	(2,085.9)	(570.3)	(7,113.9)
General and administrative expenses,	(4,279.3)	(1,164.6)	(2,265.8)	(611.7)	(8,321.4)
Incl. depreciation and amortisation	(1,771.9)	(544.0)	(1,070.0)	(161.4)	(3,547.3)
Total expenses before other operating expenses	**(7,614.3)**	**(2,287.3)**	**(4,351.7)**	**(1,182.0)**	**(15,435.3)**
Total profit before other operating expenses and tax	**7,250.4**	**16,513.9**	**3,196.5**	**833.4**	**27,794.2**
Other operating expenses	(286.8)	(2,330.0)	2.0	-	(2,614.8)
Total profit before tax	**6,963.7**	**14,183.9**	**3,198.5**	**833.4**	**25,179.4**

				Year ended December 31, 2018	
	Trading services	Clearing	Depository	Other services	Total
INCOME					
Commission income	9,338.3	8,174.1	4,722.4	1,412.3	23,647.1
Net interest and other finance income[1]	6,020.7	7,836.4	2,203.9	-	16,061.0
Other operating income	54.3	70.7	19.9	48.4	193.3
Total income	**15,413.3**	**16,081.2**	**6,946.2**	**1,460.7**	**39,901.4**
EXPENSES					
Personnel expenses	(3,115.1)	(993.8)	(1,937.0)	(466.4)	(6,512.3)
General and administrative expenses,	(4,208.2)	(910.6)	(2,265.5)	(557.1)	(7,941.4)
Incl. depreciation and amortisation	(1,722.3)	(401.3)	(1,102.0)	(113.9)	(3,339.5)
Total expenses before other operating expenses	**(7,323.3)**	**(1,904.4)**	**(4,202.5)**	**(1,023.5)**	**(14,453.7)**
Total profit before other operating expenses and tax	**8,090.0**	**14,176.8**	**2,743.7**	**437.2**	**25,447.7**
Other operating expenses	-	(1,075.2)	-	-	(1,075.2)
Total profit before tax	**8,090.0**	**13,101.6**	**2,743.7**	**437.2**	**24,372.5**

[1] including net gain on financial assets at FVOCI and net financial result from foreign exchange

Risk Management Policies

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

The key changes of the Group risk management system implemented within a reporting period are the following:

- Amendments to documents in terms of commodities market risk management controls aiming to enhance monitoring of commodity market members' affiliates, enhance warehouse requirements including their equipment, infrastructure and documentation provided, set requirements for warehouse principals and guarantors:
  - Rules of warehouse accreditation
  - Commodity storage regulations
  - Methodology for defining maximum storage limits
  - Warehouse accreditation internal interaction guide
  - Clearing Rules on the Commodities Market
- Amendments to NCC Regulations on loss provisions, which imply the creation of reserves in advance for the potential loss of stored assets and their recognition in financial statements;
- Initiation of a separate business line focused on work with distressed assets;
- Risk-appetite indicators for the Moscow Exchange, NCC and NSD were revised to account for events occurred in the reporting period and changes developed in the new Group Strategy;
- The procedure of preliminary risk-assessment for new products providing a more detailed and thorough risk analysis, project review as well as product analysis after its launch;
- According to external audit of controls performed for all key business areas of the Groups core companies, a detailed roadmap has been prepared. The roadmap encompasses upcoming internal process improvements and document amendments aiming to mitigate residual risk.

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

Credit risk

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

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

The objectives of the Group in credit risk management:

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

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

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

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

As explained in Note 2, the Group monitors all financial assets that are subject to 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 rather than 12-month ECL.

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The table below summarizes the principal macroeconomic indicators included in the economic scenarios used at December 31, 2019 for the years 2020-2022, for Russia which is the country where the Group operates and therefore is the country that has a material impact in ECLs.

	2020	2021	2022
GDP growth	1.9%	3.1%	3.2%
Consumer price index	3%	4%	4%
Average nominal wage growth	2.4%	2.2%	2.4%
Money supply growth	9.5%	9.5%	9.5%
USD/RUB rate	63.9	66.1	66.5

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years.

The Group has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change by a certain percentage. The table below outlines the total ECL per portfolio as at December 31, 2019 if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus a certain percentage. The changes are applied in isolation for illustrative purposes, in order to develop the estimate of expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

	As expected	Average PD	ECL Cum
	-3.0%	67.73%	3,393.5
GDP	-	69.79%	3,496.5
	+3.0%	71.84%	3,599.5
	-3.0%	62.31%	3,121.8
Consumer price index	-	69.79%	3,496.5
	+3.0%	77.27%	3,871.2
	-3.0%	70.07%	3,510.4
Average nominal wage	-	69.79%	3,496.5
	+3.0%	69.51%	3,482.6
	-5.0%	70.25%	3,519.9
Money supply	-	69.79%	3,496.5
	+5.0%	69.32%	3,473.1
	-15.0%	65.03%	3,257.9
USD/RUB rate	-	69.79%	3,496.5
	+15.0%	74.55%	3,735.1

As at December 31, 2019 and 2018, the Group has no modified financial assets as a result of the Group's forbearance activities and no amounts outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.

Maximum credit risk exposure

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

As at December 31, 2019 included into other assets are overdue receivables of RUB 2,754.7 million (December 31, 2018: RUB 62.7 million).

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

As at December 31, 2019 and 2018, balances with the CBR are classified at the sovereign credit rating level of the Russian Federation.

The following table details the credit ratings of the financial assets held by the Group as at December 31, 2019 and 2018. Table below does not include equity instruments.

	AA	A	BBB	less BBB-	Not rated	Total
December 31, 2019						
Cash and cash equivalents	242,215.1	80,797.9	116,767.8	24,745.1	1,568.6	**466,094.5**
Financial assets at FVTPL	15.1	22.3	13,430.7	-	20.0	**13,488.1**
Due from financial institutions	7,683.7	-	1.0	38,504.3	10,045.9	**56,234.9**
CCP financial assets	-	-	467,000.9	1,363,523.5	1,432,146.2	**3,262,670.6**
Financial assets at FVTOCI	-	1,469.0	147,910.8	27,135.0	2,798.6	**179,313.4**
Assets held for sale	-	-	-	23.0	-	**23.0**
Other financial assets	32.6	0.2	277.3	199.7	524.0	**1,033.8**
December 31, 2018						
Cash and cash equivalents	118,130.3	151,869.9	32,500.4	111,864.6	2,025.0	**416,390.2**
Financial assets at FVTPL	1,018.5	-	3,188.5	0.2	10.7	**4,217.9**
Due from financial institutions	8,294.6	-	9,067.2	73,750.5	-	**91,112.3**
CCP financial assets	-	5,317.9	32,709.7	2,721,694.3	552,298.3	**3,312,020.2**
Financial assets at FVTOCI	-	465.6	15,160.9	185,458.2	9,667.7	**210,752.4**
Other financial assets	22.4	1.9	47.9	417.5	432.7	**922.4**

Geographical concentration

The analysis of the geographical concentration of the financial assets and liabilities of the Group as at December 31, 2019 is presented below:

				December 31, 2019
	Russia	OECD	Other	Total
FINANCIAL ASSETS				
Cash and cash equivalents	63,161.7	402,644.1	293.0	466,098.8
Financial assets at FVTPL	173.4	13,466.0	56.0	13,695.4
Due from financial institutions	48,551.2	7,683.7		56,234.9
CCP financial assets	3,262,656.3	-	14.3	3,262,670.6
Financial assets at FVTOCI	138,064.9	37,465.8	3,782.7	179,313.4
Assets held for sale	-	-	23.0	23.0
Other financial assets	909.8	116.1	7.9	1,033.8
Total financial assets	**3,513,517.3**	**461,375.7**	**4,176.9**	**3,979,069.9**
FINANCIAL LIABILITIES				
Balances of market participants	545,815.5	10,547.0	2,223.8	558,586.3
Overnight bank loans	49,229.1	-	-	49,229.1
CCP financial liabilities	3,262,670.6	-	-	3,262,670.6
Distributions payable to holders of securities	11,184.0	380.5	149.6	11,714.1
Margin account	-	0.6	-	0.6
Liabilities related to assets held for sale	-	-	5.8	5.8
Other financial liabilities	844.7	327.7	5.1	1,177.5
Total financial liabilities	**3,869,743.9**	**11,255.8**	**2,384.3**	**3,883,384.0**

The analysis of the geographical concentration of the financial assets and liabilities of the Group as at December 31, 2018 is presented below:

				December 31, 2019
	Russia	OECD	Other	Total
FINANCIAL ASSETS				
Cash and cash equivalents	81,593.1	334,364.1	438.7	416,395.9
Financial assets at FVTPL	370.9	3,733.4	246.6	4,350.9
Due from financial institutions	82,810.7	8,294.6	7.0	91,112.3
CCP financial assets	3,312,012.7	-	7.5	3,312,020.2
Financial assets at FVTOCI	185,652.8	21,506.8	3,592.8	210,752.4
Other financial assets	784.8	105.8	31.8	922.4
Total financial assets	**3,663,225.0**	**368,004.7**	**4,324.4**	**4,035,554.1**
FINANCIAL LIABILITIES				
Balances of market participants	596,907.1	1,364.2	1,930.1	600,201.4
Overnight bank loans	5,003.1	-	-	5,003.1
CCP financial liabilities	3,312,012.7	-	7.5	3,312,020.2
Distributions payable to holders of securities	8,311.3	16,277.9	86.8	24,676.0
Margin account	-	979.6	-	979.6
Other financial liabilities	787.2	241.1	3.7	1,032.0
Total financial liabilities	**3,923,021.4**	**18,862.8**	**2,028.1**	**3,943,912.3**

As at December 31, 2019, the balances with OECD counterparties include the following balances with OECD subsidiaries of Russian companies:

- Cash and cash equivalents in the amount of RUB 58,010.3 mln (December 31, 2018: RUB 64,599.5 mln);
- Financial assets at fair value through profit or loss in the amount of RUB 1,896.6 mln (December 31, 2018: RUB 3,188.5 mln);
- Financial assets at fair value through other comprehensive income in the amount of RUB 10,928.3 mln (December 31, 2018: RUB 21,506.8 mln);
- Balances of market participants in the amount of RUB 660.7 mln (December 31, 2018: RUB 502.8 mln);
- Distributions payable to holders of securities in the amount of RUB 1.5 mln (December 31, 2018: RUB 14,674.4 mln).

Liquidity risk

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

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

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

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

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

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

In case of any liquidity shortages the following liquidity management tools are used by the Group: overdrafl borrowing from the CBR, Lombard and interbank borrowings, repo deals, currency SWAPs.The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Maturity undefined	Total
December 31, 2019						
FINANCIAL ASSETS						
Cash and cash equivalents	466,098.8	-	-	-	-	466,098.8
Financial assets at FVTPL	69.6	-	7,268.2	6,150.3	207.3	13,695.4
Due from financial institutions	10,131.1	-	38,420.1	-	7,683.7	56,234.9
CCP financial assets	2,835,616.9	381,839.3	45,214.5	-	-	3,262,670.6
Financial assets at FVTOCI	126,144.4	577.4	11,536.4	41,055.2	-	179,313.4
Assets held for sale	23.0	-	-	-	-	23.0
Other financial assets	727.7	306.1	-	-	-	1,033.8
Total financial assets	**3,438,811.5**	**382,722.8**	**102,439.2**	**47,205.5**	**7,891.0**	**3,979,069.9**
FINANCIAL LIABILITIES						
Balances of market participants	550,902.6	-	-	-	7,683.7	558,586.3
Overnight bank loans	49,229.1	-	-	-	-	49,229.1
CCP financial liabilities	2,835,616.9	381,839.3	45,214.5	-	-	3,262,670.6
Distributions payable to holders of securities	11,714.1	-	-	-	-	11,714.1
Margin account	-	0.6	-	-	-	0.6
Liabilities related to assets held for sale	5.8	-	-	-	-	5.8
Other financial liabilities	643.4	233.3	268.8	32.0	-	1,177.5
Total financial liabilities	**3,448,117.6**	**382,073.2**	**45,483.3**	**32.0**	**7,683.7**	**3,883,389.8**
Liquidity gap	**(9,306.1)**	**649.6**	**56,955.9**	**47,173.5**	**207.3**	
Cumulative liquidity gap	**(9,306.1)**	**(8,656.5)**	**48,299.4**	**95,472.9**	**95,680.2**	

	Up to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Maturity undefined	Total
December 31, 2018						
FINANCIAL ASSETS						
Cash and cash equivalents	416,395.9	-	-	-	-	416,395.9
Financial assets at FVTPL	548.9	484.6	-	3,188.5	128.9	4,350.9
Due from financial institutions	16,498.3	28,308.3	38,011.1	-	8,294.6	91,112.3
CCP financial assets	3,215,967.8	96,052.4	-	-	-	3,312,020.2
Financial assets at FVTOCI	198,633.7	-	1,084.5	11,034.2	-	210,752.4
Other financial assets	620.6	233.1	6.0	-	62.7	922.4
Total financial assets	**3,848,665.1**	**125,078.4**	**39,101.6**	**14,222.7**	**8,486.2**	**4,035,554.1**
FINANCIAL LIABILITIES						
Balances of market participants	591,906.8	-	-	-	8,294.6	600,201.4
Overnight bank loans	5,003.1	-	-	-	-	5,003.1
Central counterparty financial liabilities	3,215,967.8	96,052.4	-	-	-	3,312,020.2
Distributions payable to holders of securities	24,676.0	-	-	-	-	24,676.0
Margin account under reverse repo	-	979.6	-	-	-	979.6
Other financial liabilities	1,031.5	-	0.5	-	-	1,032.0
Total financial liabilities	**3,838,585.2**	**97,032.0**	**0.5**	**-**	**8,294.6**	**3,943,912.3**
Liquidity gap	**10,079.9**	**28,046.4**	**39,101.1**	**14,222.7**	**191.6**	
Cumulative liquidity gap	**10,079.9**	**38,126.4**	**77,227.5**	**91,450.1**	**91,641.7**	

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

The Group presents securities included in the CBR Lombard list as matured in one month.

Market risk

Market risk is the risk of losses due to changes in market variables such as interest rates, foreign exchange rates, and prices of financial instruments, as well as due to the low liquidity of the market for the purpose of the liquidation / restructuring of the market position of the defaulted clearing participant. The key components of market risk are interest and currency risks.

Interest rate risk

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

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

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

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

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

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

The impact of changes in fair value of financial assets on the income, losses and equity is conducted based on the interest rates existing as at December 31, 2019 and 2018, and reasonably possible changes of 150 bps. Corresponding negative and positive results shown on the yield curve are as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Net profit	Equity	Net profit	Equity
150 bp parallel rise	(252.1)	(5,901.9)	(82.4)	(6,772.8)
150 bp parallel fall	260.0	6,114.2	85.3	6,712.3

Currency risk

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

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

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

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

	RUB	USD	EUR	Other currencies	December 31, 2019, Total
FINANCIAL ASSETS					
Cash and cash equivalents	50,876.4	59,559.0	349,864.6	5,798.8	466,098.8
Financial assets at FVTPL	141.2	13,418.5	10.1	56.0	13,625.8
Due from financial institutions	990.8	55,241.7	2.4	-	56,234.9
Central counterparty financial assets	2,606,997.2	600,329.8	55,343.6	-	3,262,670.6
Financial assets at FVTOCI	116,349.7	37,445.0	25,518.7	-	179,313.4
Assets held for sale	-	1.0	-	22.0	23.0
Other financial assets	959.8	71.4	1.5	1.1	1,033.8
Total financial assets	**2,776,315.1**	**766,066.4**	**430,740.9**	**5,877.9**	**3,979,000.3**
FINANCIAL LIABILITIES					
Balances of market participants	67,455.2	134,241.0	351,053.1	5,837.0	558,586.3
Overnight bank loans	23,704.1	25,525.0	-	-	49,229.1
Central counterparty financial liabilities	2,606,997.2	600,329.8	55,343.6	-	3,262,670.6
Distributions payable to holders of securities	11,266.2	400.1	-	47.8	11,714.1
Margin account	-	0.6	-	-	0.6
Liabilities related to assets held for sale	-	-	-	5.8	5.8
Other financial liabilities	847.2	143.4	185.0	1.9	1,177.5
Total financial liabilities	**2,710,269.9**	**760,639.9**	**406,581.7**	**5,892.5**	**3,883,384.0**
Derivatives	**28,916.6**	**(4,988.9)**	**(23,999.5)**	**108.6**	**36.8**
Open position	**94,961.8**	**437.6**	**159.7**	**94.0**	

	RUB	USD	EUR	Other currencies	December 31, 2019, Total
FINANCIAL ASSETS					
Cash and cash equivalents	38,381.1	121,623.3	245,899.9	10,491.6	416,395.9
Financial assets at FVTPL	117.8	3,188.5	11.1	4.1	3,321.5
Due from financial institutions	35,314.1	55,791.2	-	7.0	91,112.3
CCP financial assets	2,620,844.8	601,664.9	89,510.5	-	3,312,020.2
Financial assets at FVTOCI	112,637.3	64,427.9	33,687.2	-	210,752.4
Other financial assets	843.2	66.7	6.5	6.0	922.4
Total financial assets	**2,808,138.3**	**846,762.5**	**369,115.2**	**10,508.7**	**4,034,524.7**
FINANCIAL LIABILITIES					
Balances of market participants	81,691.9	193,004.7	315,073.0	10,431.8	600,201.4
Overnight bank loans	5,003.1	-	-	-	5,003.1
CCP financial liabilities	2,620,844.8	601,664.9	89,510.5	-	3,312,020.2
Distributions payable to holders of securities	8,309.4	16,303.8	61.2	1.6	24,676.0
Margin account	-	979.6	-	-	979.6
Other financial liabilities	838.8	55.1	110.9	27.2	1,032.0
Total financial liabilities	**2,716,688.0**	**812,008.1**	**404,755.6**	**10,460.6**	**3,943,912.3**
Derivatives	**525.1**	**(35,364.3)**	**35,764.4**	**0.1**	**925.2**
Open position	**91,975.4**	**(609.9)**	**124.0**	**48.2**	

The following exchange rates are applied during the period:

	December 31, 2019		December 31, 2018	
	USD	EUR	USD	EUR
Minimum	61.7164	68.2328	55.6717	67.8841
Maximum	67.1920	77.2105	69.9744	81.3942
Average	64.6184	72.2835	62.9264	74.1330
Year-end	61.9057	68.2328	69.4706	79.4605

In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. The Group has considered movements in the Euro and the US Dollar over the year ended December 31, 2019 and 2018, and has concluded that the following movements in rates are reasonable levels to measure the risk to the Group:

	December 31, 2019	December 31, 2018
Movement in USD/RUB rate	15%	15%
Movement in EUR/RUB rate	20%	20%

The impact of these movements on post-tax profit for the years ended December 31, 2019 and 2018, and equity as at December 31, 2019 and 2018, is set out in the table below:

	December 31, 2019		December 31, 2018	
	USD	EUR	USD	EUR
	15%	**20%**	**15%**	**20%**
Ruble appreciation	(53.3)	(25.5)	73.1	(19.8)
Ruble depreciation	53.3	25.5	(73.1)	19.8

Operational risk

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

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

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

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

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

Legal risk

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

Legal risk management procedures include:

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

Compliance risk

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

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

Reputational risk

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

Offsetting of Financial Instruments

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

Direct and reverse repo transactions of CCP with individual counterparties are subject to clearing rules that create a contingent right of set-off that does not qualify for offsetting. Clearing participants are required to deposit collateral in the form of cash or securities for current deals and make contribution to a risk-covering fund, as described in Note 36. Clearing rules give the Group right to use these amounts under certain conditions (e.g. in case of default). However, offsetting criteria is not met as there is no intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

	December 31, 2019			Related amounts not set off in the statement of the financial position		Net amount
	Gross claims	Gross liabilities	Net amount presented in financial statements	Financial instruments	Cash collateral received	
Due from financial institutions (Reverse repo receivables from financial institutions)	48,445.5	-	48,445.5	(48,445.5)	-	-
Central counterparty financial assets (repo transactions)	3,259,579.2	-	3,259,579.2	(3,259,579.2)	-	-
Central counterparty financial assets (currency transactions)	3,091.4	-	3,091.4	(1,026.7)	(2,064.7)	-
Central counterparty financial liabilities (repo transactions)	-	(3,259,579.2)	(3,259,579.2)	3,259,579.2	-	-
Central counterparty financial liabilities (currency transactions)	-	(3,091.4)	(3,091.4)	1,026.7	2,064.7	-
Margin account under reverse repo	-	(0.6)	(0.6)	-	-	(0.6)

	December 31, 2018			Related amounts not set off in the statement of the financial position		Net amount
	Gross claims	Gross liabilities	Net amount presented in financial statements	Financial instruments	Cash collateral received	
Due from financial institutions (Reverse repo receivables from financial institutions)	48,382.7	-	48,382.7	(48,382.7)	-	-
Central counterparty financial assets (repo transactions)	3,310,008.3	-	3,310,008.3	(3,310,008.3)	-	-
Central counterparty financial assets (currency transactions)	2,806.2	(794.3)	2,011.9	-	(2,011.9)	-
Central counterparty financial liabilities (repo transactions)	-	(3,310,008.3)	(3,310,008.3)	3,310,008.3	-	-
Central counterparty financial liabilities (currency transactions)	794.3	(2,806.2)	(2,011.9)	2,011.9	-	-
Margin account under reverse repo	-	(979.6)	(979.6)	-	-	(979.6)

Events after the Reporting Date

In February 2020 the Group reduced its ownership in ETS by selling a 40.82% stake in the company and therefore ceding the control over this subsidiary. Further sale of 15% share in ETS is expected until the end of 2024. The financial result from this sale is estimated to be immaterial to the Group.