



**MOSCOW  
EXCHANGE**

5 November 2015

# 3Q 2015 Earnings Presentation

# Key developments in 3Q 2015

## ✓ **New dividend policy**

- Supervisory Board approved a new dividend policy, raising the payout floor to 55% of the Group's net profit under IFRS, which was the record payout ratio level achieved in 2014

## ✓ **Strengthening the product offering**

- New indices of publicly-traded companies where the Russian state has an ownership stake were launched. These are new equity market benchmarks, developed in cooperation with Economy Ministry of Russia, the Federal Agency for State Property Management
- Since October 1<sup>st</sup>, market participants are obliged to report all types of derivative transactions on the Russian market to the NSD repository, including bond options, bond forwards, equity options, and currency binary options. NSD Repository registered more than 315,000 agreements for derivatives and repo transactions valued at more than RUB 300 trillion in 9m2015

## ✓ **Growing the local investor base**

- Individual investment accounts (IIA) beat expectations: more than **60,000** IIAs registered during 10m2015
- Changes in regulation allowed retail investors to open an account with a broker remotely. This will streamline and simplify the process for retail investors in Russia's regions

## ✓ **Corporate actions reform**

- Seventy-nine issuers, including top names like Gazprom and Sberbank conducted shareholder meetings using ISO 20022, an international corporate actions standard

## ✓ **Aligning the CCP risk waterfall with international best practice**

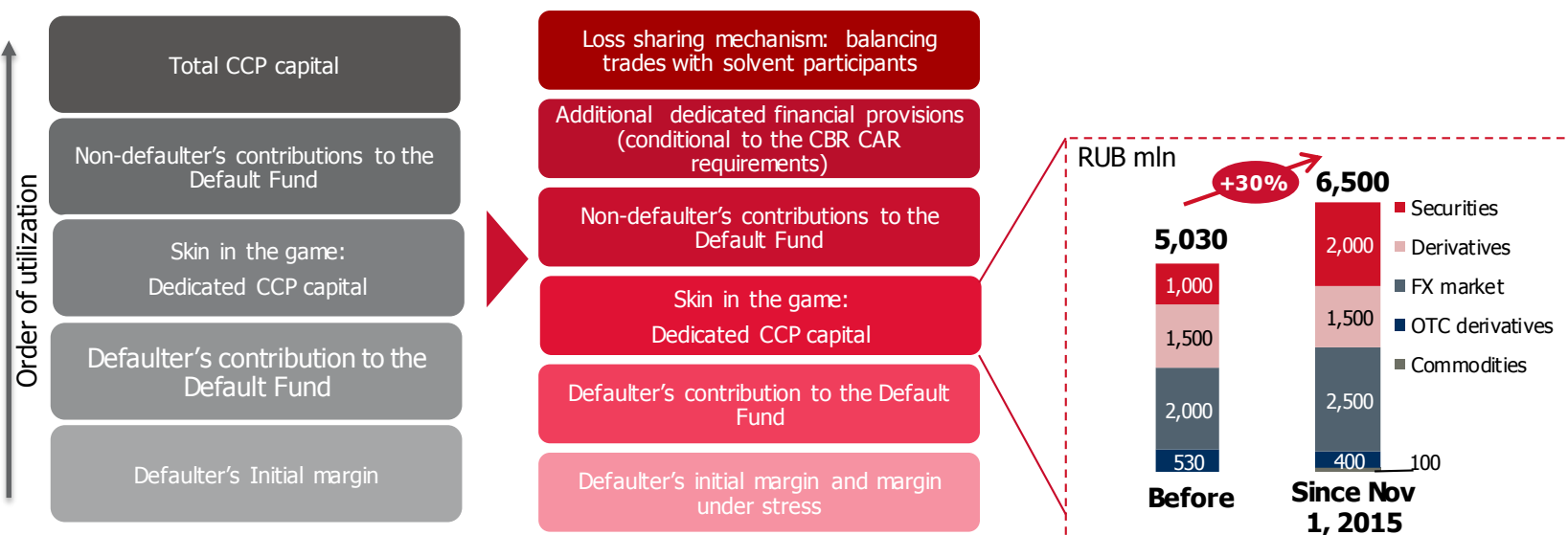
- Since November 1<sup>st</sup>, NCC harmonized the risk-waterfall structure across different markets and aligned it with CPMI-IOSCO recommendations and the CBR's requirements. Dedicated capital ("Skin in the game") has been specified for each MOEX market, with the introduction of an updated risk distribution mechanism



# New financial stability recovery mechanism

- ✓ Unification of NCC risk-protection system across all markets
- ✓ The CBR sponsored alignment of risk-waterfall in accordance with CPSS-IOSCO requirements, which is in line with the "Standardization" pillar of MOEX's strategy
- ✓ Recovery and continuity – the CCP remains operational even under extreme circumstances

## The updated unified risk-waterfall structure specifies a new amount of "skin in the game"

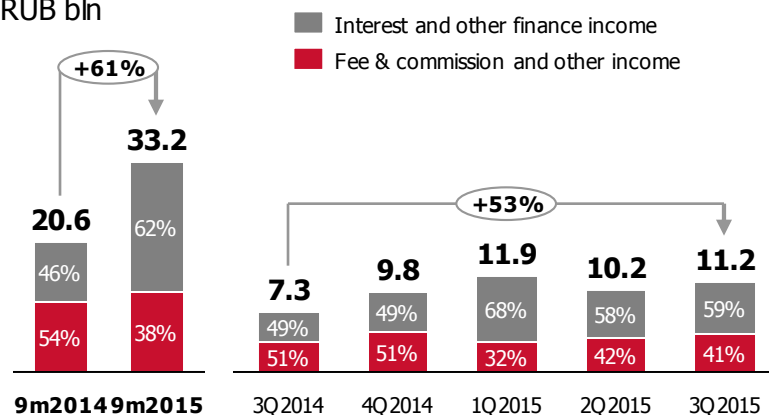


New structure outlined in the new clearing rules, came into effect on 3 August 2015, with the specified "Skin in the game" amount approved by NCC effective from 1 November 2015

# Financial results: MOEX business model delivers again

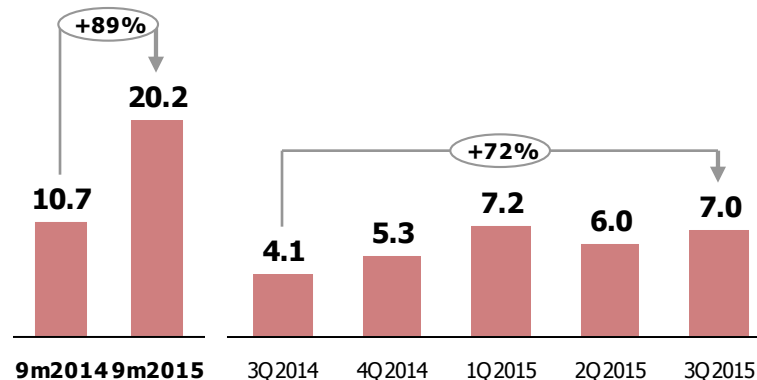
## Operating income

RUB bln



## Net profit

RUB bln



## Key metrics

	3Q2014	3Q2015	Change
<b>Basic EPS, RUB</b>	1.82	3.13	+72% ↑
<b>F&amp;C Income, RUB mln</b>	3,589.8	4,557.7	+27% ↑
<b>Net Interest and other finance income, RUB mln</b>	3,611.2	6,576.2	+82% ↑
<b>EBITDA, RUB mln</b>	5,476.0	9,140.8	+67% ↑
<b>EBITDA margin</b>	74.9%	81.8%	+6.9 p.p. ↑
<b>Cost income ratio</b>	30.5%	22.3%	-8.2 p.p. ↓

## Key highlights

- High double digit growth in operating income driven by solid performance across both major components - fees and commissions and interest and other finance income
- Efficiency ratio (Cost to income ratio) improved further driven by strong income growth and stringent cost control



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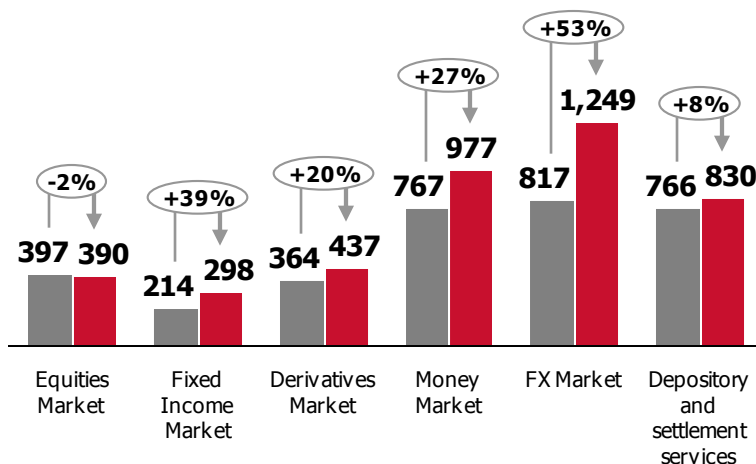
Source: Consolidated Financial Statements

# Diversified fee & commission income

## Fee & commission income performance

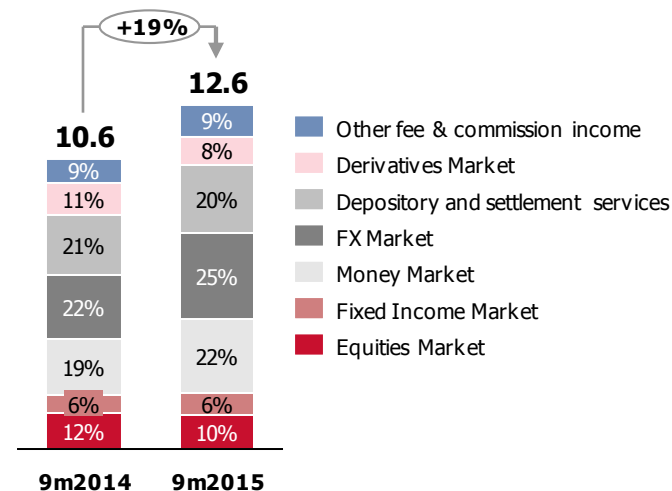
RUB mln

■ 3Q 2014  
■ 3Q 2015



## Fee & commission income breakdown

RUB bln



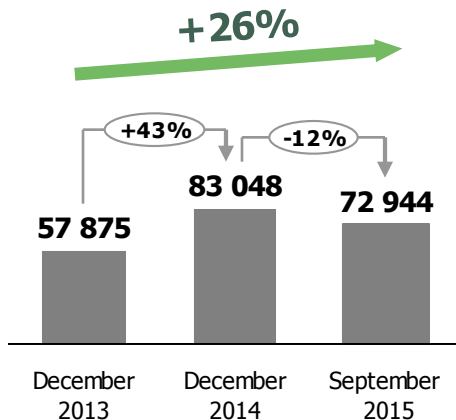
## Comments

- Strong performance delivered across nearly all segments, including Money Market (+27% YoY), FX Market (+53% YoY), Derivatives Market (+20% YoY) and Fixed Income Market (+39% YoY)
- Fee & commission income remained well-diversified, and was up 27% YoY in 3Q 2015 and 19% YoY in 9m2015

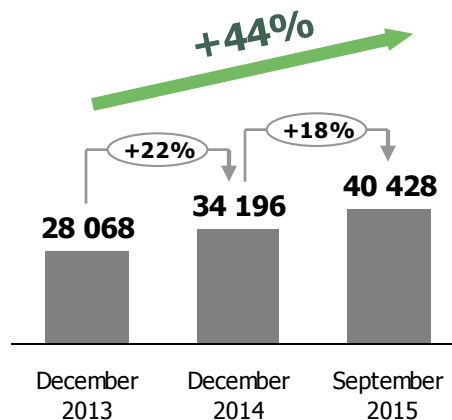
# Activity of retail clients on Moscow Exchange markets increased

Number of active retail client accounts

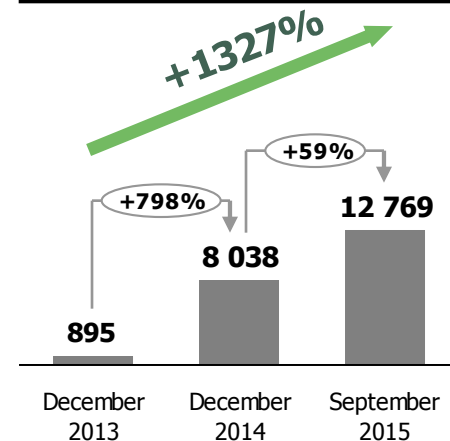
## Equities Market



## Derivatives Market



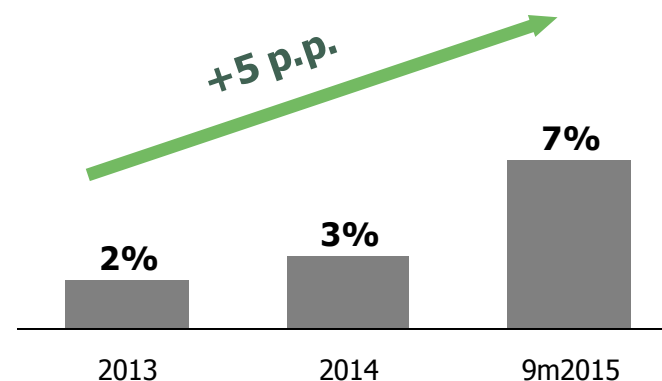
## FX Market<sup>1</sup>



## Incentives for retail investors in 2015

- Individual investment accounts for retail investors – more than 60,000 accounts opened in 2015
- Capital gain on securities held for more than three years is tax exempt (up to RUB 9 mln)

## Retail investors share in bond trading volumes

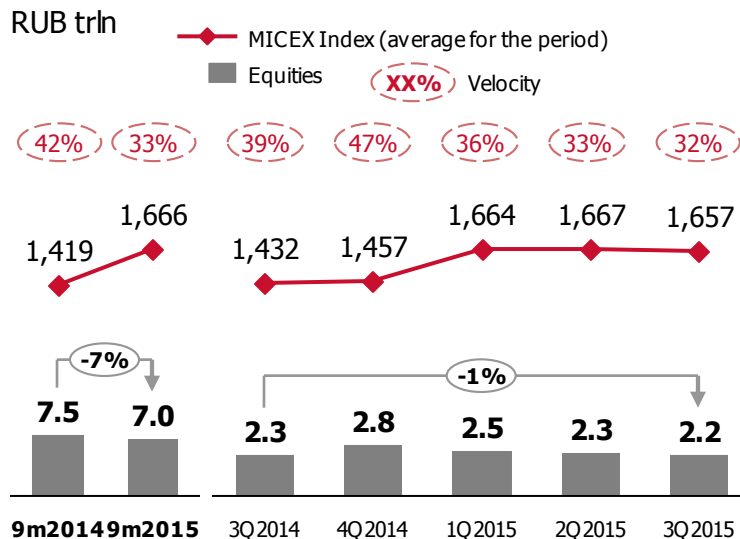


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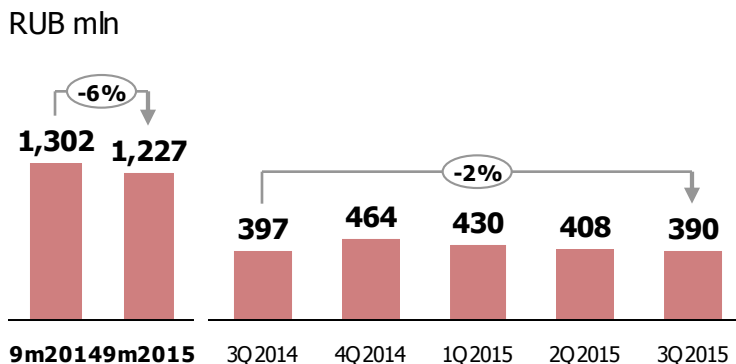
1 DMA clients

# Equities Market

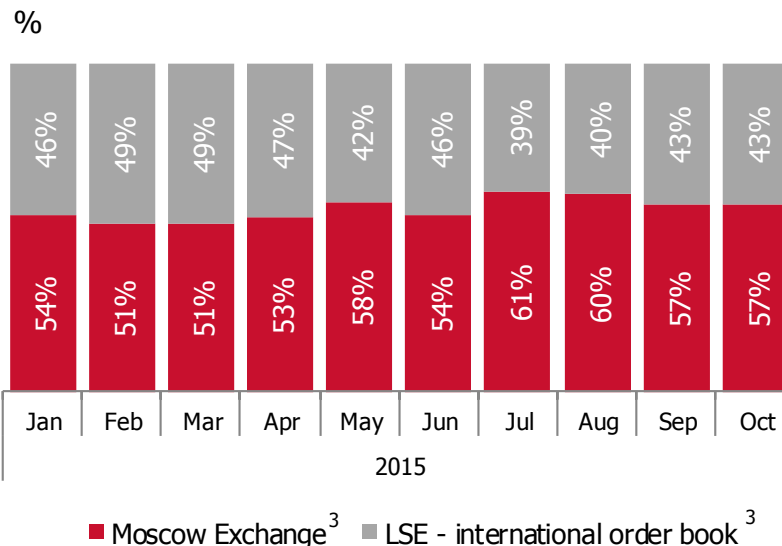
## Trading volumes<sup>1</sup>



## Fee & commission income



## Russian equities trading volumes<sup>2</sup>, MOEX vs LSE



## Comments

- MOEX's Closing Auction (launched in September 2013) has shown record volumes, accounting for up to **7% of total daily trading volume** after FTSE started using MOEX's closing auction price methodology within its indices
- In September 2015 FTSE replaces AFK Sistema Depository Receipt with local line
- MOEX market share for dual-listed stocks set **a record in 3Q2015**



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Source: Moscow Exchange operational information and Consolidated Financial Statements, Liquidmetrix

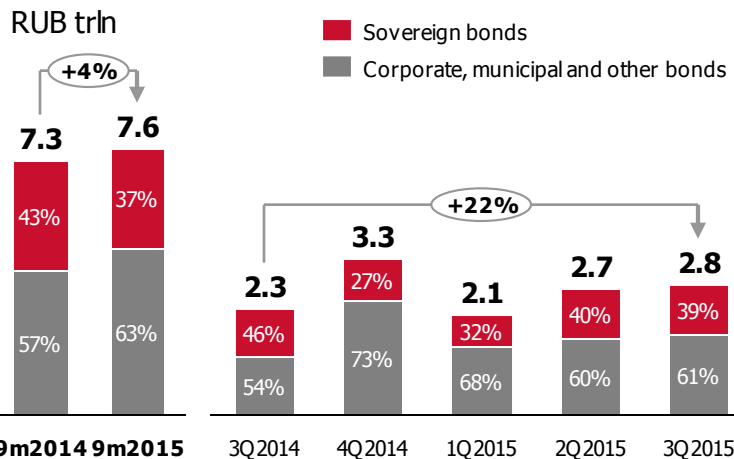
1 Volumes on both primary and secondary markets

2 Moscow Exchange and London Stock Exchange data for Russian dual-listed companies

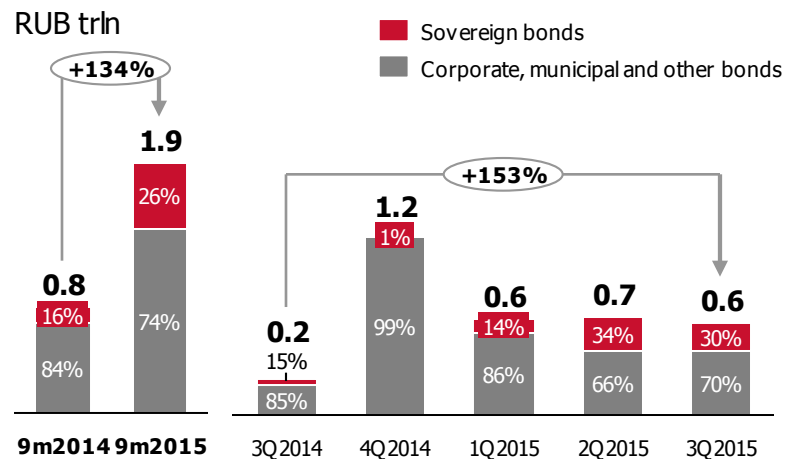
3 Only electronic order book deals

# Fixed Income Market: rejuvenation of primary market

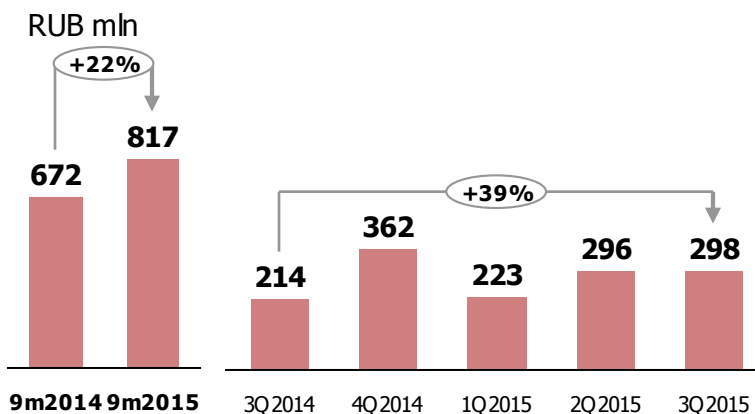
## Trading volumes<sup>1</sup>



## Primary market returns



## Fee & commission income



## Comments

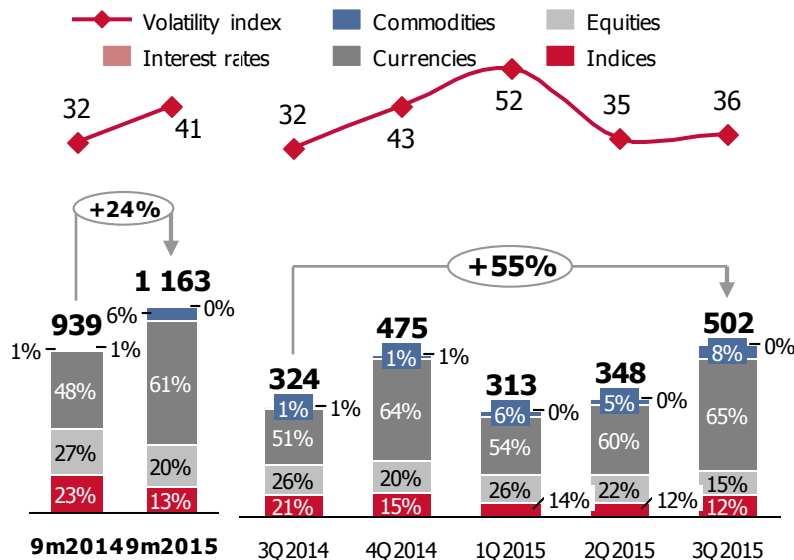
- Substitution of international debt continued and led to robust growth in corporate bond primary issuance (~2 times YoY) and sovereign bond primary issuance (~5 times YoY). This resulted in fee & commission income growth of 39%
- Russia's first CPI-linked federal government bonds, known as OFZ-INS, were placed on Moscow Exchange in July. Investors bought bonds for a total of RUB 52.0 bln, a daily record in OFZ offerings on Moscow Exchange



# Derivatives Market: FX futures remained key growth driver

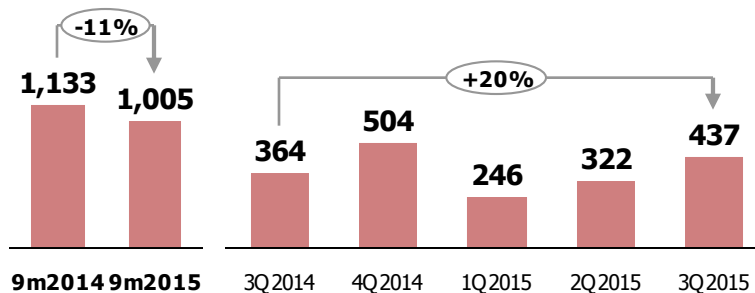
## Trading volumes

millions of contracts



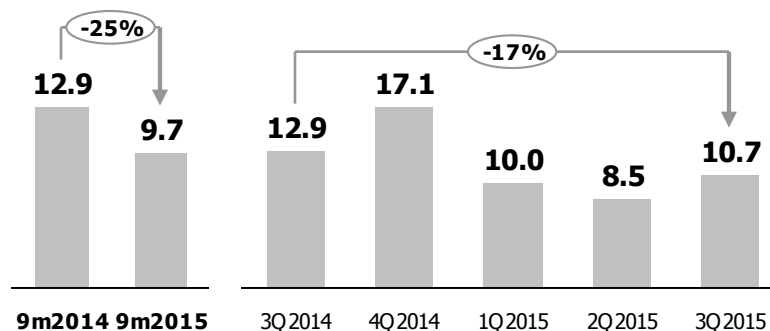
## Fee & commission income

RUB mln



## Open interest

millions of contracts, daily average



## Comments

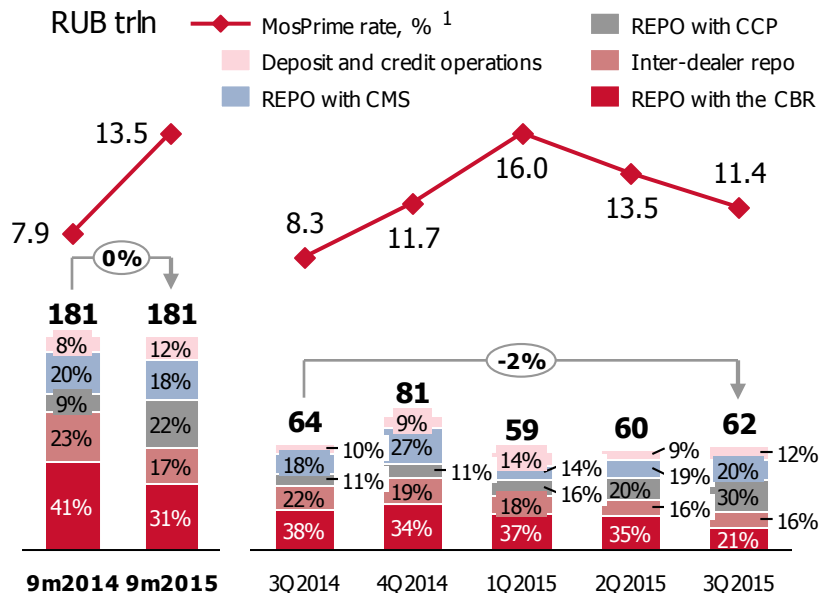
- Increased FX Market volatility led to 97% YoY growth in FX derivatives trading, which comprised 65% of total trading volumes (in contract terms) on the Derivatives Market, versus 51% in 3Q2014
- FX derivatives trading volume in contract terms was 8% higher compared to the previous peak in 4Q2014
- The share of futures on commodities accounted for 7.9% of total futures trading volume in contract terms versus 1.4% in 3Q2014, driven by strong demand from individuals
- Fee and commission income continued its upward trend in 2015 and grew by 20% YoY in 3Q2015



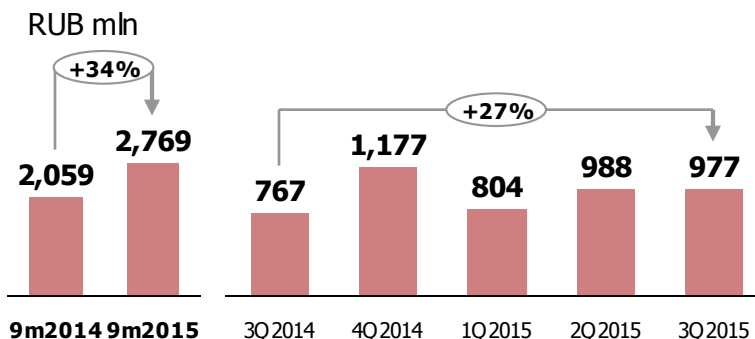
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# Money Market: solid demand for on-exchange services

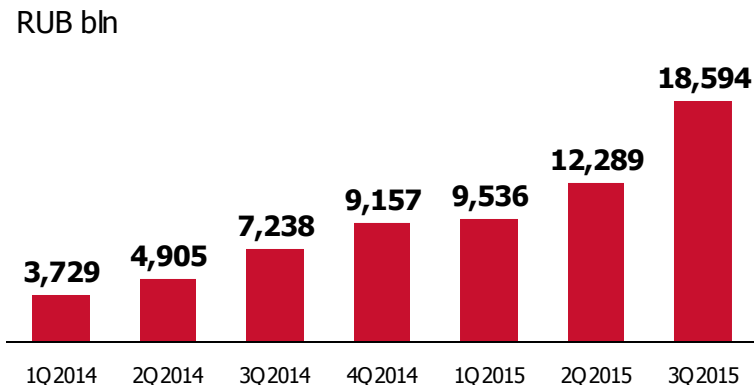
## Trading volumes



## Fee & commission income



## Trading volumes for REPO with CCP



## Comments

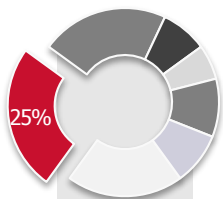
- REPO with CCP remained the fastest-growing product (up 2.6x YoY) and contributed 30% of trading volumes versus 11% a year ago
- Average REPO maturity declined from 4.4 days to 3.8 days mainly driven by the higher share of REPO with CCP versus CBR direct repo
- Recognition of fee and commission income for long-term repo instruments was made during the lifespan of these instruments since 1Q2015. RUB 329 mln of previously deferred fees were recognized in 3Q2015



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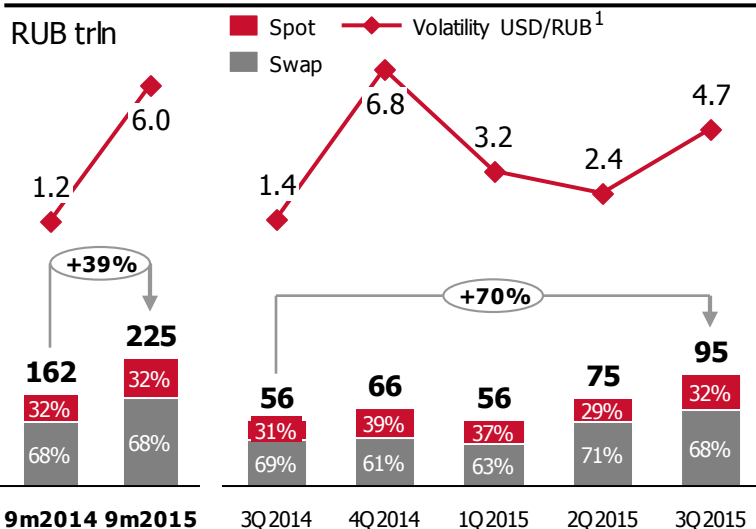
Source: Moscow Exchange operational information and Consolidated Financial Statements

<sup>1</sup> Overnight rate, average for the period

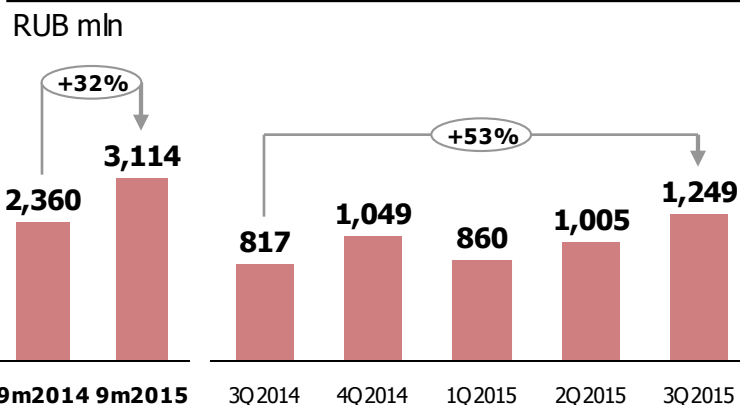


# FX Market: stronger demand for risk management via swaps

## Trading volumes

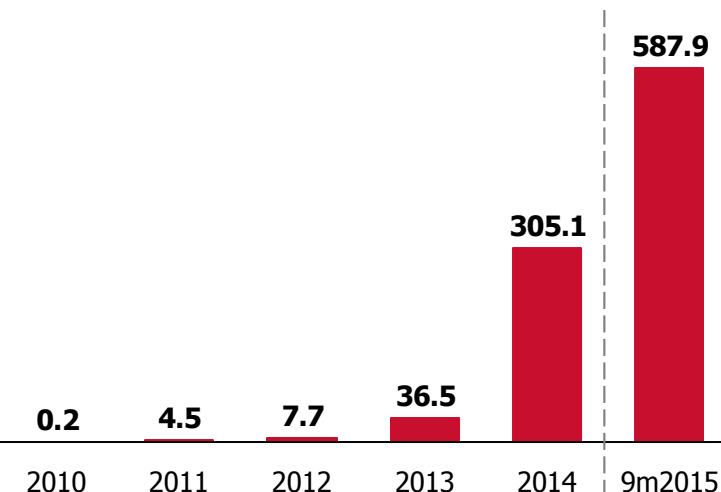


## Fee & commission income



## CNY/RUB trading volumes

RUB bln



## Comments

- In 3Q2015, spot market trading volumes were up 78% YoY driven by higher volatility and increased activity across all groups of market participants
- Swap transaction volumes increased 67% YoY amid growing demand from local banks to manage liquidity positions and hedge FX risks
- Trading in the CNY/RUB currency pair continued rapid growth. New record high of RUB 396 bln reached in 3Q2015

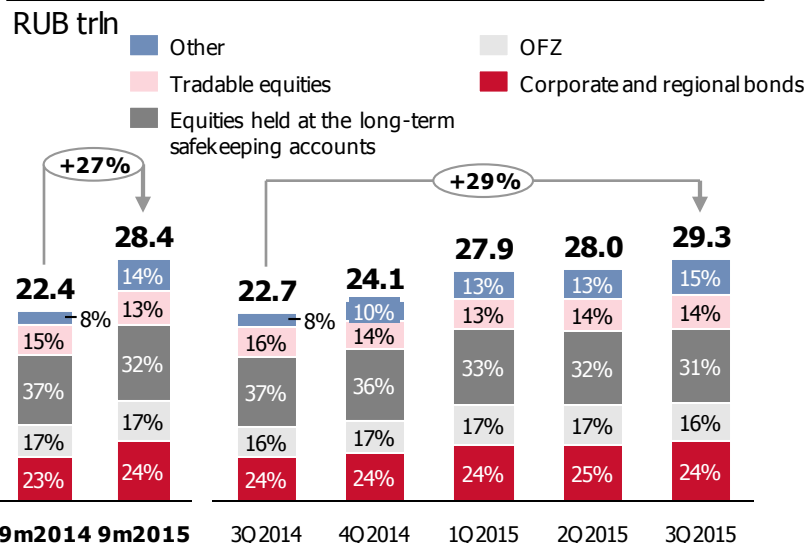


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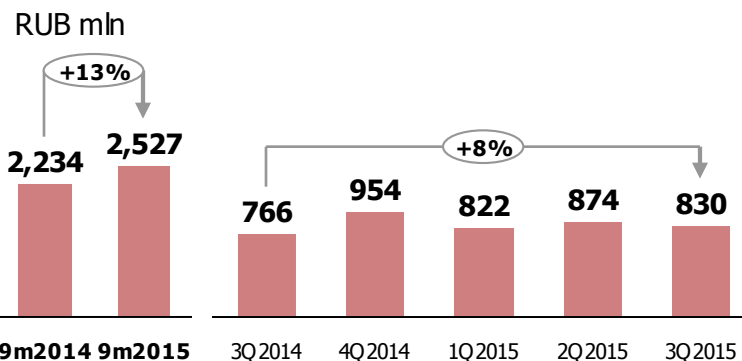
Source: Moscow Exchange operational information and Consolidated Financial Statements  
<sup>1</sup> Calculated as daily standard deviation of the USD/RUB exchange rate for the period

# NSD: new assets under custody drive growth

## Assets on deposit (average for the period)<sup>1</sup>

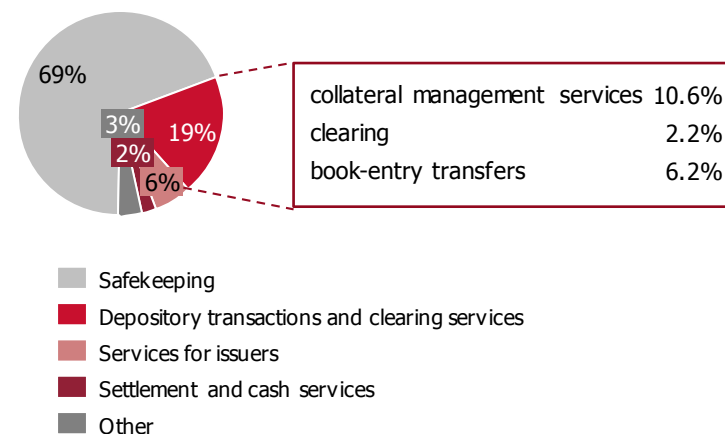


## Fee & commission income



## Fee & commission income breakdown<sup>1</sup>

3Q2015



## Comments

- New assets under custody and market cap expansion contributed to fee growth of 8%
- The increase in assets under custody was driven by admission of DRs and Eurobonds as collateral for repo and on-exchange Eurobond trading and new primary bond placements



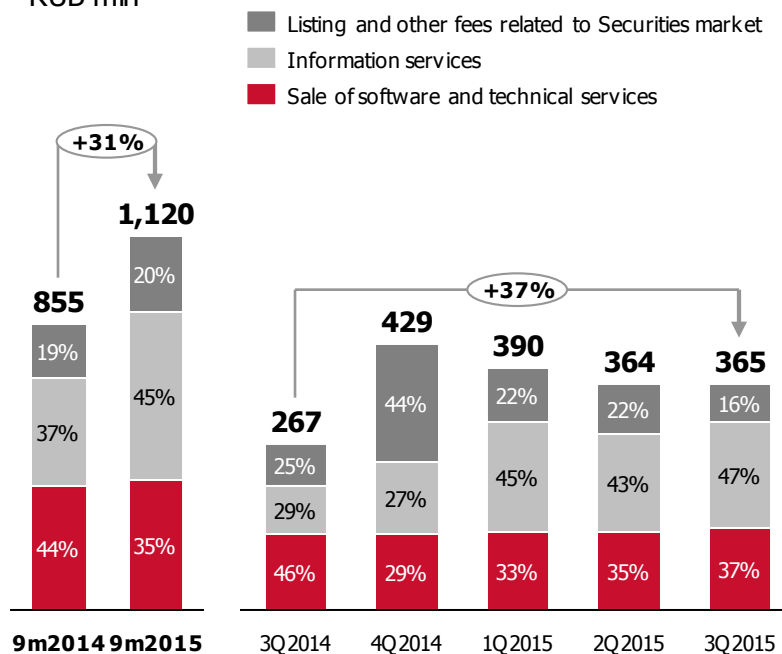
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Source: Moscow Exchange operational information and Consolidated Financial Statements  
1 according to management accounts data

# Growth in information services fees

## Other fee & commission income<sup>1</sup>

RUB mln



## Comments

- Solid YoY growth of fees from information services (119%) driven by RUB depreciation, client base growth and price increase made in the beginning of 2015 led to 37% growth of other fee & commission income
- Fees from sale of software and technical services increased by 10%
- Listing and other fees related to the Securities Market declined by 10% on the back of lower number of application for admission to trading in summer months



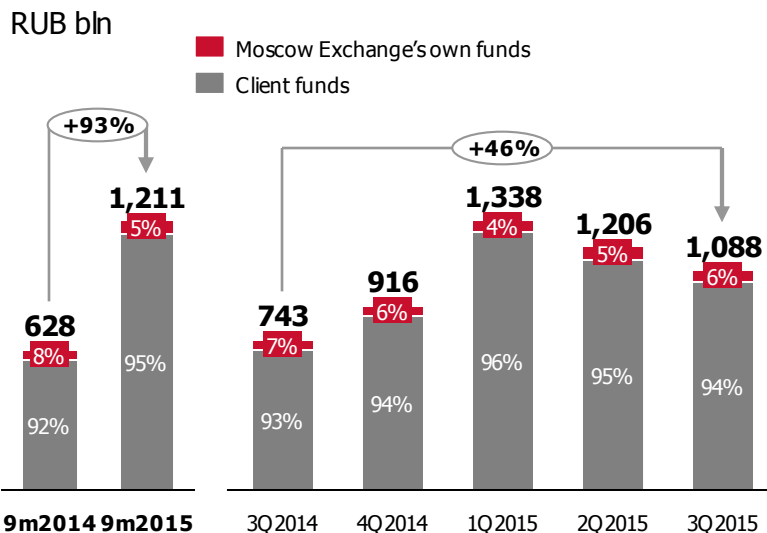
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Source: Consolidated Financial Statements

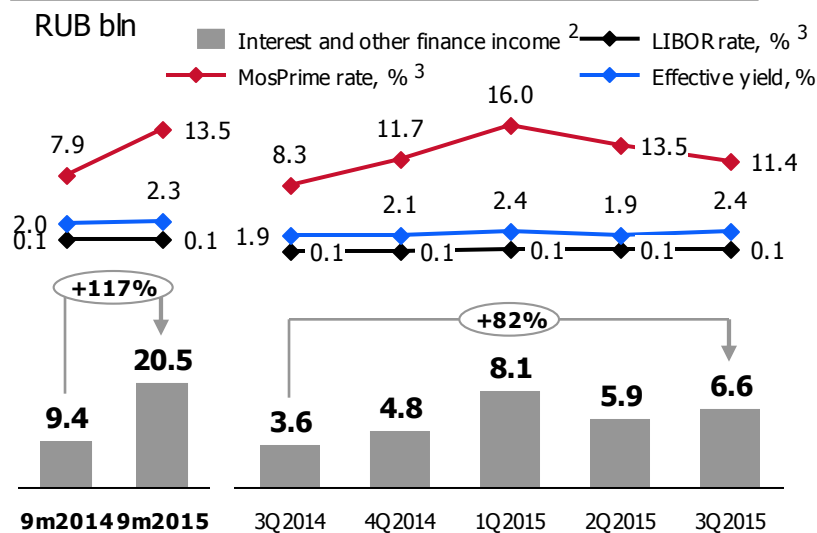
<sup>1</sup> Not including other fee & commission income as presented in financial statements

# Interest income: growth driven by higher interest rates and inflows of client funds

## Investment portfolio<sup>1</sup> (average daily volume)

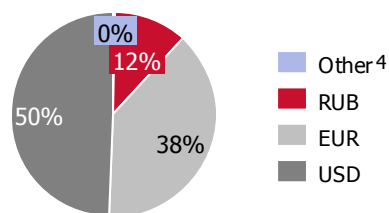


## Interest income



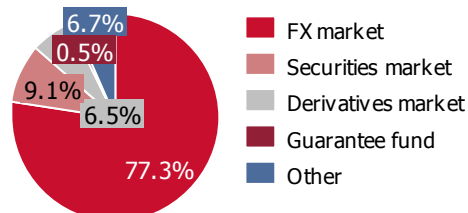
## Clients funds by currency

3Q2015



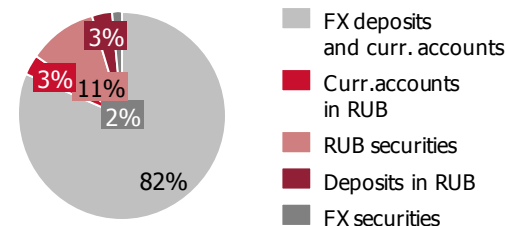
## Clients funds by source

3Q2015



## Investment portfolio by type of asset

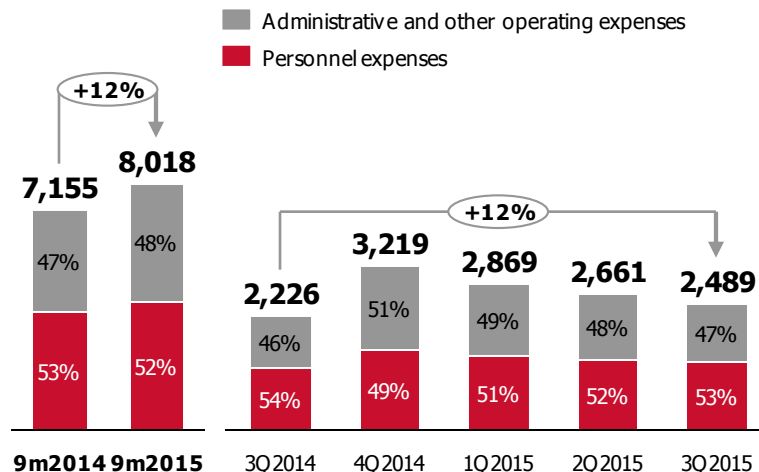
3Q2015



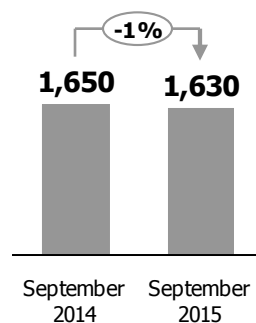
# Operating expenses

## Operating expenses

RUB mln



## Headcount



## Major expense items

RUB mln

	3Q2014	3Q2015	Change YoY
<b>Personnel expenses</b>	<b>1 201</b>	<b>1 321</b>	<b>10%</b>
<b>Administrative and other operating expenses, including</b>	<b>1 025</b>	<b>1 167</b>	<b>14%</b>
Amortisation of intangible assets	275	294	7%
Professional services	58	110	90%
Depreciation of property and equipment	121	167	37%
Rent and office maintenance	104	107	2%
Taxes other than income tax	106	97	-9%
Market maker fees	74	99	34%
<b>Total</b>	<b>2 226</b>	<b>2 489</b>	<b>12%</b>
<b>Cost income ratio</b>	<b>30.5%</b>	<b>22.3%</b>	<b>-</b>

## Comments

- Cost control remained strict with operating expenses growth of 12% YoY in 3Q2015, versus 3Q inflation of 15.7% YoY
- Administrative and operating expenses up 14% YoY driven by higher spending on maintenance of equipment and intangible assets due to commissioning of new IT facilities and spending on IT systems maintenance and improvements, as well as depreciation of property and equipment
- Personnel costs increased 10% YoY, while staff optimization continued with 1% YoY decline in employee numbers

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– perception of market services offered by the Company and its subsidiaries;

– volatility (a) of the Russian economy and the securities market and (b) sectors with a high level of competition that the Company and its subsidiaries operate;

– changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets;

– competition increase from new players on the Russian market;

– the ability to keep pace with rapid changes in science and technology environment, including the ability to use advanced features that are popular with the Company's and its subsidiaries' customers;

– the ability to maintain continuity of the process of introduction of new competitive products and services, while keeping the competitiveness;

– the ability to attract new customers on the domestic market and in foreign jurisdictions;

– the ability to increase the offer of products in foreign jurisdictions.

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