

MOSCOW EXCHANGE
Q3 2022 IFRS results conference call
November 3, 2022

Moscow Exchange Speakers:

- Georgiy Uryutov, interim CFO
- Anton Terentiev, Director of IR

Participants asking questions:

- Elena Tsareva, BCS
- Svetlana Aslanova, Arowana Capital
- Olga Naidenova, Sinara FC

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Anton Terentiev – Director of IR

Good afternoon, everyone, and welcome to Moscow Exchange's third quarter 2022 IFRS results conference call. As usual, after the prepared remarks, we will have a Q&A session. We intend to make this call more relevant for our Russian-speaking audience by providing simultaneous translation into Russian – just like we did last time. We will also have transcripts available in both languages. Therefore, please feel free to ask questions in both Russian and English during the Q&A. Hopefully, our Russian-speaking listeners will find the call more engaging this way.

Before we start, I would like to remind you that certain statements in this presentation and during the Q&A session may relate to future events and expectations and, as such, constitute forward-looking statements. Actual results may differ materially from those projections. The Company does not intend to update these statements prior to the next conference call.

By now, you should have received the press release outlining our results for Q3 2022. Our management presentation is available on the Company's website in the Investor Relations section.

As you already know, our previous CFO, Andrey Selyuk, has left the Company. Therefore, before we discuss our Q3 results, I would like to introduce our interim CFO, Georgiy Uryutov. He has been working at MOEX Group for more than 20 years. Before 2020, he was the Director of the NSD's Financial Division. In 2020, Georgiy became the head of the NCC's financial unit. Specifically, Georgiy oversaw the Asset Management Committee and the modernization of the NCC's Treasury Policy and the Group's Asset and Liability Management Policy. Georgiy, over to you.

Georgiy Uryutov – interim CFO

Thank you, Anton, and good afternoon, everyone. Thank you all for joining us on the call today. Anton will proceed with the prepared remarks on our Q3 2022 IFRS results, and I will be available during the Q&A.

Anton Terentiev – Director of IR

Thanks, Georgiy. Let's start with the delivery on strategic initiatives.

First, the Exchange continues to add new products. The Kaliningrad Region placed a new issue of sub-federal bonds on the Finslugi platform. The platform allows retail investors to purchase bonds directly from the issuer, and a brokerage account is not required. On the Derivatives Market, a new cash-settled futures contract was introduced. The underlying asset is a foreign ETF on the Nasdaq-100 index. The FX Market continues to expand its range of currencies from friendly jurisdictions. During the quarter, the Uzbekistani sum, Kyrgyzstani som and Tajikistani somoni to RUB pairs became available. Carbon units now trade on the National Mercantile Exchange, a subsidiary of MOEX.

Second, we continue to work on new services. The evening trading session on the Equities and Bond Markets as well as the morning trading session on the FX and Derivatives Markets have been resumed. Evening sessions are designed for retail investors, which now have an even higher market share than before. On 12 September, non-resident clients from jurisdictions designated as friendly as well as non-residents controlled by Russian legal entities or individuals regained access to the MOEX Equities Market. We introduced new low-latency protocols for market data distribution, SIMBA ASTS, and market access, FIFO TWIME ASTS, on the Securities as well as FX Markets. The new services were designed for banks, brokers, algorithmic and high-frequency traders that use colocation at a MOEX data center. On the Money Market, it's now possible to

withdraw funds from CCP deposits prior to maturity and place them back at the market interest rate. This will increase the flexibility of deposit operations and contribute to the growth of market liquidity. Also, market participants now have access to repo deals settled in Chinese renminbi, such as GCC repo, CCP deposits, inter-dealer repo and credit market transactions. MOEX Dealing, a terminal for OTC transactions, expanded its range of FX pairs available for trading with a number of currencies from friendly jurisdictions.

Third, we continue to develop our client base and partnerships. At the end of September, the number of retail clients reached 21.7 million. Nearly 5 million new clients have been onboarded since the beginning of the year. The total number of Individual Investment Accounts exceeds 5.7 million. The Primary Bond Market came alive, as 64 corporates – including 7 newcomers – placed 103 bond issues, raising nearly RUB 1 trillion in the third quarter. The NSD requested general licenses from the authorities of Belgium and Luxembourg to unblock assets of all non-sanctioned investors in Euroclear and Clearstream.

Slide 3. 3Q 2022 summary of financials. F&C income during the quarter declined by 14% YoY. These dynamics are a tad better than the vision we outlined on the previous call. Let me remind you that foreign clients used to bring in some 15% of our F&C income. This activity has been gone since late February, and the effect on financials is proportional. Operating expenses in Q3 were up 9% YoY, mainly due to the increase in personnel expenses. EBITDA gained 28% YoY. On a quarterly basis, EBITDA added 5%. Net Income improved by 29% and amounted to RUB 8.7 billion.

Slide 4. Diversified fee and commission income. F&C income had negative YoY dynamics across most business lines, although the quarterly change was positive. The fee income structure remains well-

diversified. The single largest constituent was the Money Market, which accounted for 23% of the total. Let me now go line by line.

On the Money Market, fee income decreased by 32%, while trading volumes were up 14%. The discrepancy in effective fee dynamics was mostly linked to a decrease in repo terms. Overall, average on-exchange repo terms were down 8% YoY, while GCC repo terms contracted 57% as the planning horizon shrank. We are observing growing demand for renminbi instruments as banks and other market participants decrease their dollar and euro exposure.

On the FX Market, fees improved by 62%, while trading volumes contracted by 23%. The effective fee improvement was driven by two major factors. First, the new tariff structure favoring liquidity makers that came into effect on August 1. Second, a shift in the trading volumes' mix towards the spot segment. Specifically, spot volumes increased by 18%, while swap volumes fell by 38% YoY amid a general economic trend of decreasing FX exposure. We also observed an increase in the trading activity of corporates on the FX Market during the quarter.

On the Derivatives Market, fee income declined 15% YoY. Trading volumes dropped by 57% YoY as a major client category – foreign investors – generally could not operate. The discrepancy between fee income and volume dynamics was the result of a shift in the structure of trading volumes and the new asymmetric tariff structure implemented in June this year. Again, the new tariff structure favors liquidity makers. Quarterly fee dynamics were also influenced by the suspension of the discount for so-called scalper trades.

A line called ITSLM includes revenue from IT Services, Listing and the Finuslugi marketplace. Sales of software and technical services decreased 6% YoY. The information services line declined by 16% YoY on the

back of RUB appreciation and a reduction in demand from non-resident clientele. Listing and other services fell by 19% YoY due to lower primary bond market activity, although the line improved by 43% QoQ as bond placements intensified. Financial marketplace fees accounted for RUB 160 million. We saw adverse dynamics in compulsory motor insurance – a.k.a. OSAGO sales – while the deposits segment performed quite well.

Fee and commission income from the Equities Market fell by 53% YoY on the back of a nearly identical decrease in trading volumes of 54%. The practical absence of foreign investors remains a major setback for the market. Following a successful introduction of new tariff structures on the Derivatives and FX Markets, we updated our Equity Market tariffs in a similar fashion earlier this week.

Fixed income fees were down 25% YoY. Trading volumes excluding overnight bonds shrank 46% YoY. Even though primary market volumes were still down 56% YoY, the activity of corporates resurged during the quarter. Effective fee dynamics were supported by the migration of trading volumes to value-added, CCP-based trading modes on the back of persistent market uncertainty.

Other business lines stood virtually flat, adding just 0.7% YoY. Let me now discuss operating expenses in 3Q 2022.

Slide 5. Operating expenses in 3Q'22 (excl. provisions). Earlier this year we mentioned that we would be revising and optimizing expenses. As you can see on the OPEX chart, we were quite successful in doing so. Operating expenses in 3Q'22 decreased by 7% QoQ and expanded only by 9% YoY. The non-organic contribution from the NTPro consolidation was less than a percentage point. Let me remind you that the Inguru platform was consolidated in Q2 2021. Therefore, it was added to the base

and ceased to be a non-organic component. The total contribution from the Marketplace, including Inguru, was again within a percentage point. As a result, core business OPEX increased by 8% YoY and below the CPI rate.

Personnel expenses grew 23% YoY and stood virtually flat QoQ. The annual dynamics split is the following: [1] a 15.8 p.p. net effect of additional bonus provisions, [2] 9.3 p.p. stemming from new hires and wage reviews, with the rest attributed to a decrease in LTIP provisions.

11.6% YoY growth in the number of employees breaks down into: [1] a 7.1 p.p. increase in IT personnel, including strengthened info security and outsourced IT staff brought in-house, [2] 2.9 p.p. coming from the NTPro acquisition and [3] 1.6 p.p. relating to other hires.

In the third quarter, the Finuslugi promo campaign came to a conclusion. Therefore, advertising and marketing spend decreased by 64% QoQ. Market makers' fees contracted on the back of a decline in trading volumes. The information services line decreased substantially, as the base period included a standalone technical expense that was fully offset by Q3'21 Derivatives Market revenues.

D&A costs increased by 21% YoY due to accelerated CAPEX spend in the fourth quarter of 2021. IT maintenance costs decreased 15% YoY, and this is a temporary effect since we expect a gradual substitution of foreign service providers. Remaining admin expenses were down 18% YoY.

CAPEX for the third quarter amounted to RUB 1 billion and was spent on software purchases and development, as usual. CAPEX for the first nine months of the year amounted to RUB 3 billion.

A few words on OPEX and CAPEX guidance. We see OPEX growth below 20% this year, which is slightly better than our previous

expectation outlined in late August. Our updated annual CAPEX spend is in the range of 3.8 to 4.3 billion rubles – again, an improvement versus our previous guidance of RUB 4-5 billion.

This concludes the overview of our quarterly results. We are now ready to take your questions.

Anton Terentiev – Director of IR

The first question is coming from Elena Tsareva of BCS in our webcasting Q&A interface. I'll read it out loud and then start answering. "Good day. Thank you for the call. 9M'22 F&C income was down 7% YoY. Do you see this decline as a guide for the entire 2022?". Elena has more questions, but I'll answer them one-by-one.

I will basically reiterate what we said at the last call. We said that the run-rate for F&C decline was 15% to 20% for the second half of the year. In Q3 it was at 14%, but then the month of October was quite unspectacular. I would just stick to what we said: the decline run rate for the second half of the year is 15 to 20% in F&C income.

The second question from Elena is as follows: "What's the status on the dividend distribution from 2021 net income?"

Georgiy Uryutov – interim CFO

Earlier this week, the Supervisory Board decided not to distribute 2021 net income as dividends. The decision is based on the Company's current dividend policy which prioritizes compliance with both current and projected regulatory requirements for MOEX Group companies over the dividend distribution.

Anton Terentiev – Director of IR

Thanks, Georgiy. The next question from Elena is about the next year's dividend expectations.

Georgiy Uryutov – interim CFO

The main factors affecting dividend decision next year will be regulatory requirements, import substitution program and development costs that result in higher CAPEX. Also, the possibility of M&A deals remains on the agenda. Besides, under the current external restrictions, we cannot raise money from NSD up to the holding level.

Anton Terentiev – Director of IR

Thanks, Georgiy. The last question from Elena is about the outlook for the OPEX dynamics in mid-term, specifically personnel expenses dynamics and the headcount growth.

I have to resort to our regular communication on that matter. We basically pre-announce OPEX early in the year with our full-year financials. This time around, it's no different. We are going to talk about it in more detail early in the year with our full-year financials because right now the Company is working on the budget. As you know, the economic situation is changing. Inflation was high and then it started to decelerate. So, we have to finalize the numbers and only then we can come back with statements on these matters.

Georgiy Uryutov – interim CFO

Thanks for the questions, Elena.

Operator

We have a question on the phone from Svetlana Aslanova, Arowana Capital. Svetlana, please go ahead.

Svetlana Aslanova – Arowana Capital

Good afternoon. I have a few questions. Continuing with the dividend topic, what are the current regulatory capital requirements? Are you disclosing these requirements at this time?

Anton Terentiev – Director of IR

Unfortunately, no, we do not. It's the CBR's regulation that we should not publish our regulatory ratios. With all our desire, we cannot provide you with a substantial answer to that question.

Svetlana Aslanova – Arowana Capital

Okay, understood. One more question, if I may. Can we expect dividend distribution next year from the previous years' undistributed net income? I mean, dividends not just from 2021 net income, but also some additional dividend.

Anton Terentiev – Director of IR

Thank you for the question. I think the Supervisory Board will consider all options next year. I don't think we can say that anything is off the table. But, at the moment we cannot pre-communicate any tangible response to that question.

Svetlana Aslanova – Arowana Capital

Okay, thank you.

Anton Terentiev – Director of IR

We have one more question over the webcasting interface from Olga Naidenova of Sinara Finance. I'll read it out loud. "Anton and Georgiy, thank you for the presentation. I have several questions. First, could you please tell us about the progress on the Finuslugi marketplace project. What are your mid- to long-term views and expectations from that project?"

Georgiy Uryutov – interim CFO

Let me put it this way. We have completed hiring at Finuslugi and the marketing campaign has come to a conclusion. We'll keep watching the performance of this business line and we'll be scaling associated costs accordingly going forward.

Anton Terentiev – Director of IR

Thanks, Georgiy. I'll read out the next question from Olga. "Has the growth of effective fees on the Derivatives and FX Market been fully realized? Should we expect some growth going forward?"

We basically revised tariffs on the Derivatives Market in June this year. We mentioned that in our speech. On FX Market, the tariffs were revised on 1st of August. One of these tariffs was fully reflected in third quarter financials and another wasn't. So, the growth was partially realized.

The next question from Olga. "When should we expect the improvement of disclosure including the capital adequacy ratios and all the regulatory changes?"

MOEX must not disclose financials according to the CBR's letter dated May 20, 2022. This is the regulation we have in place because MOEX is the parent organization of a banking holding. Once this regulation changes, we can go back to a more thorough disclosure.

Operator

There are no further questions on the phone.

Anton Terentiev – Director of IR

Okay, I see no further questions in our Q&A webcasting interface, and there seems to be no questions coming through the phone line.

Thank you very much, everybody, for your questions, for following us. Let's stay in touch and reconnect with full-year financials.

Georgiy Uryutov – interim CFO

Thank you, everyone, for your participation in our call. Have a nice evening, bye.