

MOSCOW EXCHANGE

MOEX 3Q 2024 IFRS results conference call

25 November 2024

Speakers:

- Anton Terentiev, Head of Investor Relations
- Mikhail Panfilov, CFO

Participants asking questions:

- Olga Naidenova, Sinara Bank
- Svetlana Aslanova, Euler
- Andrey Akhatov, Sberbank CIB
- Elena Tsareva, BCS
- Elizaveta Lebedeva, Euler
- Anatoly Poluboyarinov, Smartlab

Investor Relations contacts – Anton Terentiev, Director of Investor Relations

Tel: +7 495 363 3232 – Email: ir@moex.com

Anton Terentiev – Head of Investor Relations

Good afternoon, everyone, and welcome to Moscow Exchange's 3Q 2024 IFRS results conference call. Our CFO Mikhail Panfilov has joined the call today. As usual, we will start with prepared remarks and then have a Q&A session. Please ask every question in both Russian and English. For the convenience of our audience, we will make transcripts available in both languages in the next few days.

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 these 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. Our management presentation is available on the Company's website in the Investor Relations section.

Mikhail, over to you.

Mikhail Panfilov – CFO

Thank you, Anton, and good afternoon, everyone. Thank you all for joining us on the call today. Anton will proceed with prepared remarks, and I will talk about the financials and be available during the Q&A session.

Anton Terentiev – Head of Investor Relations

Thank you, Mikhail. Let us start with the delivery on our strategic initiatives.

First, the Exchange continues to add new products. Six new listed equities representing non-resource sectors of the economy became

available on the Equities Market. This makes the market more diversified and appealing to end-clients. 13 new Russian-law ETFs on floating-rate bonds, equities and money market instruments began trading on MOEX since the beginning of 3Q 2024, bringing the total number of such instruments above 70. The Derivatives Market continues to launch new instruments. Three futures on Russian equities, including two perpetual ones, as well as four cash-settled futures on non-ferrous and industrial metals, plus one on cocoa beans, became available. Since our previous call, 38 new non-listed equities were added to CCP-based OTC trading, which now features 135 such equities. As a result, our clients can trade almost 400 equities across all trading modes. We'll keep expanding the list of tradeable equities going forward. Two inaugural Russian-law mutual funds on leveraged Russian bonds and equities are now available for trading on MOEX. The introduction of this new type of mutual funds further expands the range of opportunities for clients. Seven companies placed 15 issues of digital financial assets of credit, charity and art nature on the MOEX platform, raising a total of RUB 6.5 billion since the beginning of 3Q 2024. We also started trading in platinum and palladium, adding to the list of precious metals' products available on MOEX.

Second, we continue to work on new services. A request-for-quote (RFQ) service is now available for Money Market participants in the M-deposits segment, facilitating interaction between banks and corporations. A series of indices have been launched since the beginning of 3Q 2024. Particularly, a CNY-nominated IMOEX as well as a family of new indices tracking floating-rate corporate bonds. We also continued to develop the Finuslugi platform, which now allows purchasing of Russian-law mutual funds.

Third, we are developing our client base and partnerships. The number of retail clients on

the Securities Market reached 34.2 million as at the end of October 2024. More than 4.5 million new clients have onboarded since the beginning of this year. The total number of individual investment accounts amounted to 5.9 million. On the primary Bond Market, 112 corporates including 25 newcomers, placed 213 bond issues, raising over RUB 2.4 trillion in 3Q 2024. On the Equities Market, eight issuers – including six newcomers – held ECM deals, i.e. six IPOs and two SPOs, accounting for a total of nearly RUB 27 billion. Mikhail, over to you.

Mikhail Panfilov – CFO

Thank you, Anton. Slide 3 is devoted to our financials.

Operating income increased by 56% YoY. Fee income was up by 3.5%, while net interest income (NII) gained 124% YoY on the back of the rouble key rate change. On the previous earnings call, we mentioned risks of client balances' volatility and of their possible decline due to a combination of factors in 4Q 2024 and further on. Thus far, our rouble client balances have declined by roughly a third compared to the run rate we observed in 2024. This will affect NII going forward. OPEX grew 54% YoY and decreased by 8% QoQ. The YoY growth is mainly explained by the increase in personnel expenses and marketing spend. We will dissect OPEX growth later in the presentation. Cost-to-income ratio amounted to 28.6% – the lowest figure this year. Adjusted EBITDA was up by 55% YoY for a margin of 75%. Adjusted net income increased by 76% YoY and 19% QoQ. Adjusted return on equity (ROE) reached the high of 40.3%.

Slide 4. Fee and commission income. Fee income grew by 3.5% YoY. The structure of fee income remains well diversified. The single largest constituent was the Money Market, which accounted for 25% of the total. Let me now go line by line.

On the Money Market, fees grew by 18% YoY, while volumes increased by 29%. The discrepancy between fees and volumes is mainly attributed to the increase in non-CCP repo and deposit segments' share in the volumes' mix. The effective fee was also negatively affected by a decrease in average on-exchange repo terms. Specifically, the average on-exchange repo term declined by 20% YoY to 3.8 days. The GCC repo term rose by 7% YoY to 3.3 days. The GCC repo segment continues to benefit from the demand for Russian-law money market ETFs. More than 1 million clients have already invested in these products.

Fee income on the Equities Market grew by 10% YoY on the back of a nearly identical increase in trading volumes, which added 11% YoY. The evening trading session accounted for 12% of the volumes in 3Q 2024. Over 3.8 million clients were active every month during the quarter, roughly in line with 3.6 million in the previous quarter. Trading velocity amounted to 67% in 3Q 2024 compared to 51% in 2Q 2024. Let me reiterate one point made on the previous earnings call. Once the monetary policy changes direction, we might see investments accumulated in Russian-law Money Market ETFs reallocate into other on-exchange instruments, primarily equities.

Fees and commissions from the Depository and Settlement decreased by 3.6% YoY. Average assets on deposits were up 3.7% YoY. The discrepancy between growth rates of fees and assets is the result of business lines beyond safekeeping, primarily clearing and collateral management services – i.e. money market operations at the NSD.

On the Derivatives Market, fees improved by 17% YoY, while volumes stood virtually flat, gaining only 0.9%. The discrepancy of fees and volumes is exclusively explained by the change in trading volumes' mix. Specifically,

the share of commodity contracts increased from 19% in 3Q 2023 to 34% in 3Q 2024, while shares of FX contracts decreased by 20 p.p. The share of options in the volumes mix slightly decreased YoY and amounted to 3.3%.

The ITSLOFI line includes IT Services, Listing and other fee income. Sales of software and technical services increased by 11% YoY thanks to the growing demand for value-added technological products that facilitate HFT and algo trading. Sales of information services decreased by 42% YoY as major foreign clients exited our market. Listing and other services improved by 23% YoY as activity on the primary bond and equity markets was strong during the quarter. Other fee income grew by 122% on the back of the NCC tariff model update related to the precious metals market as well as the launch of new products.

On the Fixed Income Market, fees were up 25% YoY, while trading volumes were up 19%. The effective fee improved largely due to a higher share of primary market in the total trading volumes. Primary market volumes excluding overnight bonds increased by 37% YoY. Secondary trading volumes increased by just 1.5% YoY. The dominant share of the primary market in the volumes' mix is explained by the rise of floating-rate issues, which have subdued trading velocity compared to fixed-rate bonds.

Fee income from other markets declined by 55% YoY, while trading volumes contracted by 46%.

Finuslugi revenue improved by 71% YoY and 19% QoQ, reaching a new level. On a QoQ basis, revenue of the deposit segment performed particularly well.

Next slide. OPEX in 3Q 2024 increased by 54% YoY, largely driven by the growth in marketing and personnel costs. On a quarterly basis,

OPEX decreased by 8% as the base period contained significant LTIP provisions. Personnel expenses grew by 34% YoY due to new hires, selective wage revisions and other factors. LTIP had no contribution to YoY personnel expenses growth as the stock price went down during 3Q 2024. The employee headcount was up 19% YoY and 7% QoQ. New QoQ hires are primarily related to the overall strengthening of our IT function as well as the development of the Finuslugi platform.

Advertising and marketing costs increased nearly six-fold YoY on the back of Finuslugi-related spending. At previous earnings calls, we mentioned significant acceleration of Finuslugi marketing as the platform's value proposition is particularly appealing in the current interest rate environment. We reiterate this logic today. The increase in taxes, other than income tax, is related to VAT. Agent fees grew 50% YoY, reflecting the performance of insurance sales on the Finuslugi platform.

D&A and IT maintenance grew by 30% YoY, while the D&A alone added 22% YoY. IT maintenance costs increased by 53% YoY. The rise in IT maintenance costs is due to the gradual implementation of the software and hardware renewal programme.

CAPEX amounted to RUB 1.9 billion for 3Q 2024 and was spent on purchases of software and equipment as well as software development. CAPEX for the past nine months amounted to RUB 5 billion.

We leave our OPEX guidance for the FY 2024 unchanged at 65–75% given the uncertainty around fundamental and market factors that determine LTIP provisions.

We also revise our CAPEX guidance from the RUB 8–11 billion up to RUB 9–12 billion based on the actual pace of procurements. We continue to implement the software and hardware renewal programme.

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

Operator

Thank you. Our first question comes from Olga Naidenova, Sinara Bank. Please go ahead.

Olga Naidenova – Sinara Bank

Could you provide any comments on the potential cost growth in 2025? How sensitive are personnel expenses and other OPEX lines to inflation? Thank you.

Mikhail Panfilov – CFO

We feel inflation, in salaries in particular. In my opinion, it is high. It impacts the Company's development plans and we expect it to be reflected in our OPEX growth. Thank you.

Olga Naidenova – Sinara Bank

Could you comment on your marketing spend forecast?

Anton Terentiev – Head of Investor Relations

Regarding marketing expenses, as our guidance entails, we plan to continue our marketing programmes until the end of 2024. As we stressed in previous calls, in the current conditions of elevated interest rates, our Finuslugi value proposition is most appealing to clients. Therefore, we continue investing in marketing at the high pace and see no reason why this trend should discontinue next year. As for LTIP, it is a very volatile OPEX item. Back in 2Q 2024, when the share price was high, our LTIP expenses really disappointed everybody. As the share price contracted in 3Q 2024, LTIP was barely a factor. This volatility will most likely persist next year.

Olga Naidenova – Sinara Bank

Please clarify if I understand correctly that ruble client balances decreased by 30% on average quarter-on-quarter.

Anton Terentiev – Head of Investor Relations

Correct, client balances declined by about a third from the run rate we have observed thus far in 2024.

Olga Naidenova – Sinara Bank

Have they stabilised at this level now? At least as far as you can see in 4Q 2024.

Anton Terentiev – Head of Investor Relations

We cannot comment with certainty on this topic. Let us see what happens in future.

Mikhail Panfilov – CFO

On our previous webcasts, we emphasised that this item is volatile. It is hard for us to give you a precise forecast for it.

Olga Naidenova – Sinara Bank

A clarifying question about your interest income. In the first half of 2024, you said that you were starting to transfer some of your investment portfolio into longer-term instruments. What is your position on this issue now? What is the duration of your investment portfolio placed outside the money market instruments?

Mikhail Panfilov – CFO

Our main HTM portfolio philosophy is to lock in high rates whilst ensuring no effect on capital. As you can see, in 3Q 2024, our HTM portfolio value remained virtually unchanged. We have reported the duration on previous disclosure calls: it ranges from two to three years.

Anton Terentiev – Head of Investor Relations

With regards the money market and non-money market instruments in our investment portfolio, about half of our rouble investment portfolio is made up of overnight instruments. Here, the impact of changes in rouble interest rates on NII is immediate. The other half is invested in securities and bond instruments, where the impact is delayed and it unfolds upon the bond portfolio rebalancing.

Operator

The next question comes from Svetlana Aslanova, Euler. Please, go ahead.

Svetlana Aslanova – Euler

I have a question about your OPEX growth forecast. On your previous call, you said that you expected OPEX growth to decelerate in 2025. What are your assumptions as of today? What is the target level for cost to income ratio and cost to fee and commission income ratio going forward?

Mikhail Panfilov – CFO

It is too early to provide solid guidance for 2025 OPEX because we are currently in the process of developing a business plan for the next year. OPEX will depend on our 2025 development strategy, the opinion of the Supervisory Board and other factors. Once the business plan is approved, we'll be able to give a more precise forecast.

Svetlana Aslanova – Euler

Please speak in more detail on your provisions on credit losses (ECL). What can we expect from this provision charge in 4Q 2024?

Mikhail Panfilov – CFO

It is business as usual: there was a purely technical revision of our reservation policy in terms of risks. Thank you.

Operator

The next question comes from Andrey Akhatov, Sberbank CIB. Please, go ahead.

Andrey Akhatov – Sberbank CIB

Thank you for the presentation. My question is on employee benefits (except for share-based payments) and compensations in 3Q 2024, which grew by about 43% QoQ. What were the drivers behind this growth? What shares of this growth relates to new hires and revision of salaries for existing employees in this indicator? Thank you.

Mikhail Panfilov – CFO

Personnel expenses dynamics in 3Q 2024 was comparable to the headcount growth rate. That is why we did not provide a detailed breakdown. Selective wage revisions and other factors also contributed to the growth. Notably, the LTIP programme did not contribute to the growth of personnel expenses in the reporting quarter.

Elena Tsareva – BCS (question submitted in writing)

How do you assess the interest of the population towards financial markets next year? What are broader expectations on volumes in different segments in 2025? What can support or put pressure on your fees next year?

Anton Terentiev – Head of Investor Relations

This is a philosophical question. We have never provided any guidance and we don't have any corporate statement on this matter. I can

share my personal observations and facts with you. Since the beginning of spring 2024, we have observed a substantial investment inflow into financial assets – on average RUB 100+ billion a month and visibly above that amount in recent months. This money goes into conservative instruments – floating rate bonds, money market mutual funds. Meanwhile, equities demonstrate minor outflow. Given these high numbers, I cannot say accumulation of wealth in financial assets is too fast. If you compare it to the amount of deposits we have, this ratio is far from maximum, although I do not have exact figures right now. If the direction of the monetary policy turns around as we mentioned in the intro speech, these funds may flow into riskier assets, such as equities, and therefore support the market.

We should also take into account dividends paid by Russian companies. If they get reinvested, this should be a visible amount. The market and regulators are also talking about information disclosure and how to find the best balance of interests in the current circumstances. If there is progress in this regard, it is going to contribute, too. There are also a couple of vehicles the government has introduced to support private investments – IIA-3 (individual investment accounts) and individual long-term savings plans. These frameworks should support the inflow of savings into financial assets.

Elizaveta Lebedeva – Euler (question submitted in writing)

This question is on the updated CAPEX guidance. In 4Q 2024, the expected CAPEX may amount to RUB 4–7 billion, which is substantially higher than in any of the preceding quarters. Can you give more details on the investment programme in 4Q 2024?

Mikhail Panfilov – CFO

This CAPEX is mainly attributable to IT maintenance costs, including purchases of software and equipment and spending on software development. We have no problems with equipment procurement. The market offers both Russian-made equipment and the one imported from friendly countries. This rise in 4Q volumes is driven by a seasonal factor.

Anton Terentiev – Head of Investor Relations

As a simple example, if equipment and software is delivered and recorded on the balance sheet on 31 December, it will be reflected in this year's CAPEX. If the delivery is delayed to 1 January, it will be recorded as the next year's CAPEX. This is the calendar factor that accounts for a wide gap between the two ends of the range of our CAPEX guidance.

Anatoly Poluboyarinov – Smartlab (question submitted in writing)

How can you comment on the shift of profits across segments to Depository in 3Q 2024? Has anything changed in accounting?

Anton Terentiev – Head of Investor Relations

Please give some extra details to clarify your question. In 3Q 2024 the share of Depository and Settlement fees was 16% compared to 18% in 3Q 2023. This is not an exhibit of the shift of fees if I understand correctly.

Anatoly Poluboyarinov – Smartlab (question submitted in writing)

The question is about NII increase in the Depository segment and segment footnote 21.

Anton Terentiev – Head of Investor Relations

I will give a vague response to this question. There is no point in analysing individual accounting lines in depth as the result from an investment decision may spread across several items which may differ quite substantially but net out each other in the end. Thus, the result of the initial plan will be net positive. We have already given some insight into NII. I can reiterate is that there has been no change in the accounting policy, and you should not expect any dramatic and continuous shift in our income structure.

Operator

We have a follow-up verbal question from Olga Naidenova, Sinara Bank.

Olga Naidenova – Sinara Bank

The question is about CAPEX. What is the proportion of maintenance CAPEX? If we assume this year's maximum guided CAPEX of RUB 12 billion, what share of that CAPEX is related to the renewal programme? What figure should we expect next year if this entire amount is spent?

Anton Terentiev – Head of Investor Relations

I will give you a philosophical answer. Our CAPEX was quite predictable in previous years, fluctuating around a plateau of RUB 2–3 billion per annum and now all of a sudden it skyrocketed to around RUB 10 billion. What is going to happen next?

Let me reiterate that we are going through a technological renewal programme, an accelerated change of equipment and software. Therefore, it makes little sense to speak about maintenance CAPEX in these circumstances. There is a reason why we give CAPEX outlook early in the year together with full year results and not before the end of the year. We have to assess completed and

pending equipment expenditures, hence we have quite a wide gap for the CAPEX expectation for this year, which will impact CAPEX expectations for 2025. We will provide an outlook in early March 2025, and then we might have an understanding of what the plateau will be going forward. But we cannot give you a firm forecast of CAPEX level just yet.

Olga Naidenova – Sinara Bank

Thanks. The question is if you spend the maximum you planned for, how much of your renewal programme will be left? Is it comparable to what has already been spent? Will you be more or less done with the renewal process?

Anton Terentiev – Head of Investor Relations

We still have our business plan in the making. Before it is ready, we cannot give you any figure we can be sure of.

Olga Naidenova – Sinara Bank

Thank you.

Operator

We have no further questions, over to the Company.

Anton Terentiev – Head of Investor Relations

Thank you, everyone, for your insightful questions and following us so closely. Sorry, we were unable to provide detailed and firm answers to every question, but the time will come and we will have more visibility. We will come back to you. Let us reconnect during our 4Q 2024 results and revisit these questions.

Mikhail Panfilov – CFO

Thank you for your questions and congratulations for our net income growth. You can see stable net income growth on a

quarterly basis, which allows us to look positively into the future. Let us stay in touch.