

MOSCOW EXCHANGE

MOEX 4Q and FY 2024 IFRS results conference call

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Speakers:

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

Participants asking questions:

- Svetlana Aslanova, Euler
- Kirill Kuznetsov, Enhanced Investments
- Andrey Akhatov, Sberbank CIB
- Olga Naydenova, Sinara Bank
- Mikhail Ganelin, ATON
- Denis Prihodko, Alfa Capital
- Anatoly Poluboyarinov, Smartlab

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Anton Terentiev – Head of Investor Relations

Good afternoon everyone, and welcome to Moscow Exchange's 4Q and FY 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. Three new listed equities representing non-resource sectors of the

economy became available on the Equities Market. 15 new Russian-law ETFs on bonds, equities, and money market instruments began trading on MOEX since the beginning of 4Q 2024, bringing the total number of such instruments above 80. The Derivatives Market also continues to launch new instruments, adding three futures contracts to the product range. Eight companies placed 24 issues of digital financial assets of credit, charity, and art nature on the MOEX platform, raising a total of RUB 13 billion since the beginning of 4Q. These developments make the market more diversified and appealing to end-clients.

Second, we continue to work on new services. The weekend trading session was launched on the Equities Market, providing clients with the opportunity to manage their assets seven days a week. More than 65 thousand clients traded during the first weekend of March, and volumes amounted to RUB 10 billion. We will be adding new products to weekend trading and expect more market participants to join. The morning trading session was resumed on Equities, Bonds and Derivatives markets, allowing clients to trade 17 hours a day. Morning sessions' volumes account for 6% on Equities and 4% on Derivatives markets thus far. An index of compound return on RUSFAR was launched to expand the range of benchmarks for Russian-law money market ETFs and futures contracts. The maturity cap for CCP repo with floating-rate bonds was raised to one year from one week, expanding liquidity management options for market participants. A new trading and clearing system was launched to ensure further development of CCP-based OTC interest rate derivatives. It allows a quick response to changes in the market needs. MOEX released IPO recommendations, spreading best practices for efficiency and transparency of ECM transactions. The third edition of ESG guide was introduced to help issuers integrate ESG factors into their strategies and business models.

Third, we are developing our client base and partnerships. The number of retail clients on the Securities Market approached 36 million as of the end of February 2025. Nearly 900 thousand new clients have onboarded since the beginning of this year. The total number of individual investment accounts amounted to 6 million. On the primary Bond Market, 134 corporates including 27 newcomers placed 297 bond issues, raising over RUB 3 trillion in 4Q 2024. On the Equities Market, four issuers – including three newcomers – held ECM deals, i.e. three IPOs and one SPO, accounting for a total of more than RUB 8 billion. Mikhail, over to you.

Mikhail Panfilov – CFO

Thank you, Anton. Let us talk about our financials. First of all, operating income advanced 39% YoY driven by strong growth of net interest income (NII), which increased by 57% YoY on the back of rising rouble interest rates. Fee income grew by 21% YoY to a record high of RUB 63 billion, outpacing its 19% 5Y CAGR. As a result, the share of fee and commission (F&C) income declined YoY and amounted to 44% compared to 50% the year before. Although OPEX increased by 61% YoY, it still came below the guidance range of 65–75%. Cost-to-income ratio was 31.9% and 0.8 p.p. better than the preceding five years' average. Even though this cost efficiency was largely achieved thanks to NII, we keep the cost-to-fee-income target unchanged at 50–55% on the strategic horizon of 2028. EBITDA margin amounted to 71.9%, in line with what we observed in 2021 and earlier. Net income improved by 34% with return on equity (ROE) hitting an all-time high of 33.1%. We said a year ago that we intended to use the extra NII cushion to fund business development and therefore accelerate F&C income growth. Today we see that in terms of efficiency metrics and margins, our 2024 OPEX growth was affordable. Therefore, thanks to elevated NII we laid a foundation for the

implementation of strategic projects and future development. Going forward, we will rely more on F&C growth and less on NII.

Next slide. Operating income was virtually unchanged YoY, decreasing by just 2%. Fee income was up 13%, while NII decreased 14% YoY following a decline in client balances. At the two preceding earnings calls, we highlighted the risks of client balances' volatility and a possible decline that would affect NII in 4Q 2024 and onwards. At November's call in particular, we also mentioned a decline of rouble client balances by a third compared to the run-rate of 2024. This is exactly what happened and it corresponds to what we see in the financial statements. Today, rouble client balances have stabilised at about a half of the level observed in 2024 on average. The current split of money market instruments vs bonds in our rouble investment portfolio is 50/50. The HTM part of the bond portfolio has stood practically unchanged since we announced that we were done putting together this part of the portfolio at the 2Q 2024 earnings call. You can see this on the balance sheet. Operating expenses grew by 27% YoY and 10% QoQ. The YoY growth is mainly explained by an increase in marketing, personnel and IT maintenance expenses. We will dissect OPEX growth later in the presentation. Cost-to-income ratio (CIR) amounted to 36.6%. Adjusted EBITDA was down 12% YoY and stood at a margin of 68%. Adjusted net income decreased by 11% YoY and adjusted ROE amounted to 28.2%.

Let us talk about our fee and commission income. Fee income grew by 13% YoY. The structure of fee income remains well-diversified. The single largest constituent was the Money Market, which accounted for 30% of the total. Let me now go line by line.

On the Money Market, fees grew by 42% YoY, while volumes increased by 28%. The discrepancy between fees and volumes is due

to a combination of factors, including an increase of GCC repo's share in the volumes mix. The average on-exchange repo term was down 17% YoY to 4.1 days. The GCC repo term decreased by 8% YoY to 3.4 days. The GCC repo segment continued to benefit from the demand for Russian-law money market ETFs. More than 1.4 million clients have already invested in these products, while net asset value of these instruments exceeded RUB 1 trillion. The effective fee was also supported by the scheduled expiration of the marketing period on long-term repo.

Fee income on the Equities Market grew by 54% YoY on the back of a nearly identical 52% YoY increase in trading volumes. The evening trading session accounted for 15% of volumes in 4Q 2024. Trading velocity amounted to 80% in 4Q compared to 67% in the previous quarter. Over 3.7 million clients were active every month during the quarter, in line with 3.8 million in 3Q 2024.

On the Derivatives Market, fees improved by 22% YoY on the back of a matching increase in trading volumes of 25%. The discrepancy of fees and volumes is exclusively explained by the change in the trading volumes' mix. Specifically, the share of commodity contracts increased from 29% in 4Q 2023 to 32% in 4Q 2024, while the share of FX contracts decreased by 13 p.p. The share of index contracts in the volumes mix increased from 9% in 4Q 2023 to 17% in 4Q 2024. The resulting effect on the effective fee was slightly negative. The share of options in the volumes' mix stood virtually intact YoY and amounted to 3.3%.

Fees and commissions from the Depository and Settlement decreased by 6% YoY. Average assets on deposits were down 2% 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 which visibly declined in volumes YoY.

The ITSLOFI line includes IT Services, Listing and other fee income. Sales of software and technical services barely changed, adding just 1% YoY. Sales of information services practically halved as major foreign clients exited this market. Listing and other services improved by 17% YoY as activity on the primary bond and equity markets was strong during the quarter. Other fee income grew by 68% on the back of the NCC tariff model update related to the precious metals market.

On the Fixed Income market, fees were up 27% YoY, while trading volumes added just 5%. The effective fee improved largely due to a higher share of the primary market in the total volumes. Primary market volumes excluding overnight bonds increased by 68% YoY. Secondary trading volumes were down 38% YoY. The dominant share of the primary market in the volumes' mix is explained by the rise of floating-rate issues, which have lower trading velocity compared to fixed-rate bonds. The effective fee YoY dynamics were supported by the migration of trading volumes to value-added CCP-based trading modes.

Fee income from other markets declined by 60% YoY on the back of a corresponding decrease in trading volumes of 63%.

Finuslugi revenue improved by 28% YoY and 24% QoQ, almost reaching RUB 1 billion for the first time. On a QoQ basis, revenue of the insurance segment performed particularly well.

Let us discuss our OPEX. Operating expenses for the full year increased by 61%, which is below the guidance range. The three main components of this growth are personnel expenses driven by hiring, Finuslugi-related marketing spending and LTIP provisions.

Operating expenses in 4Q 2024 increased by 27% YoY, largely due to the growth in marketing, personnel and IT maintenance expenses. On a quarterly basis, OPEX grew by 10% on the back of higher IT maintenance, professional services costs and value added taxes. Personnel expenses grew by 13% YoY, primarily because of new hires. LTIP had a negligible contribution to YoY personnel expenses growth as our stock price was down during the quarter. The employee headcount was up 29% YoY and 11% QoQ. New QoQ hires are mostly related to the overall strengthening of our IT function as well as the development of strategic projects like Finuslugi and DFAs.

Advertising and marketing costs increased by 74% YoY to stimulate further growth of the Finuslugi client base. The performance of Finuslugi, which generated nearly RUB 1 billion of fees in 4Q 2024, confirms the point that the platform's value proposition is particularly appealing in the current interest rate environment. Therefore, it makes sense to continue expanding our client base via active marketing. The 80% YoY increase in taxes other than income tax is linked to VAT following a rise in taxable expenses, primarily in marketing. Professional services expenses rose visibly during the quarter, which is mainly explained by higher spending on consulting.

D&A and IT maintenance grew by 44% YoY, while D&A alone added 23% YoY. IT maintenance costs nearly doubled YoY. The rise in IT maintenance is due to the gradual implementation of the software and hardware renewal programme. Going forward, we do not expect this line to decrease given the capital expenditures.

CAPEX amounted to RUB 7.5 billion for 4Q 2024 quarter and was spent on purchases of software and equipment as well as software development. CAPEX for the full year amounted to RUB 12.5 billion, which is broadly

in line with the top end of the guidance range. Now let us move on to OPEX and CAPEX guidance.

We expect OPEX growth in the range of 20–30% in 2025. The main components are marketing, IT maintenance, and personnel expenses. The approximate split of OPEX growth is as follows: 1/4 relates to personnel expenses, 1/3 to IT maintenance and other G&A, the rest is allocated to marketing. The acceleration of marketing spend is driven by the development of Finuslugi platform. CAPEX explains the IT maintenance component. Personnel expenses growth is linked to new hires on strategic projects and the strengthening of existing business lines. Net of marketing expenses, the 2025 OPEX growth range settles in the mid to high teens area, which is broadly in line with historical levels adjusted for CPI. Moreover, we now have LTIP, which is linked to the share price performance among other factors. In 2026, we currently see OPEX growth decelerating to a half of the 2025 rate.

The 2025 CAPEX expectation lies in the range of RUB 14–16 billion. The actual amount depends on the implementation of the software and hardware renewal programme. We now see the 2026 CAPEX to be broadly in line with the level of 2025. We will be able to update this in the middle of the year, considering actual procurements.

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

Operator

Thank you, ladies and gentlemen, we are happy to take your questions. Our first question comes from Svetlana Aslanova, Euler. Please go ahead.

Svetlana Aslanova – Euler

I have a few questions about your guidance for 2025–2026. Does your 2025 OPEX growth guidance imply an increase in the number of employees in 2025? What would be the impact of your bonus programme, for example, on 1Q 2025 expenses?

Mikhail Panfilov – CFO

The increase in headcount is part of our business plan and business strategy, which serves as a basis for the 20–30% OPEX growth forecast we have just provided. Of course, we can see the change in salaries in the labour market. Another factor is that our business is growing and is becoming more complex. Our IT systems also require upgrades, it is a normal process for an organisation doing technology-based business. Concerning LTIP, as we discussed before, deals for the LTIP are set out in Note 11 to the IFRS summary consolidated financial statements. In particular, it shows the total number of options with a share price being the underlying asset per option. As of the end of the year, the weighted average fair value of a single option was equal to RUB 42.14. These calculations are based on the binomial model, similar to the Black–Scholes formula you can find everywhere. The model parameters that we used, namely expected volatility, risk-free interest rates, share price and dividend yield, are also given in that note. The key thing about the LTIP is that provisions increase with net profit. The higher the profit, the higher the market capitalisation, the higher the provisions. Thank you.

Anton Terentiev – Head of Investor Relations

I would like to reiterate that it is all on the slide (OPEX slide). We said it in the intro speech and highlighted on the slide I am showing you right now that a quarter of the OPEX growth is allocated to personnel expenses, including

both salaries and the headcount growth, as well as LTIP.

Svetlana Aslanova – Euler

My next question is about interest income. Am I right in my rough calculations that the average amount of clients' balances will decline at the beginning of 2025 vs 4Q 2024? Would you expect the client balances to increase as you introduce a morning trading session and trading during weekends? Thank you.

Mikhail Panfilov – CFO

Client balances are down about 50% from the average annual for 2024. We can now cautiously talk about stabilisation around these levels.

Svetlana Aslanova – Euler

Thank you.

Operator

Thank you. Our next question comes from Kirill Kuznetsov, Enhanced Investments.

Kirill Kuznetsov – Enhanced Investments

Thank you, colleagues. I would like to continue the topic of interest income by asking the following question. Which month did you see the minimum of client balances? When did the trend reverse, if it did? Is fourth quarter interest income the low point, or did client balances continue to decline toward the end of the year? Can we therefore expect net interest income to be even lower next quarter?

Anton Terentiev – Head of Investor Relations

Kirill, I will take the question. We flagged the risk of a decline in client balances back in

August 2024. We mentioned that 3Q (August was well into 3Q) would be broadly in line with 2Q in terms of NII and above 1Q. In 4Q NII was set to decline because of the client balances. So, we did talk about it well in advance. However, we had several positive one-offs in 3Q that elevated our Q3 NII a bit. Putting the one-offs aside, you will see that the NII in 3Q was basically the same as in 2Q. Shortly after our warning, the balances started to decline in 3Q and continued to decline all the way towards the end of the year. Like Mikhail said, we cautiously note that in 1Q this year the client balances seem to have stabilised at about half the level they were in 2024.

Kirill Kuznetsov – Enhanced Investments

If I understand it correctly the clients balances decreased in 4Q and the company reported quite a substantial decline in net profit and EBITDA. Taking into account these negative developments, is the company expecting to increase its profits in 2025 or not? Could you at least share your expectations regarding this question?

Anton Terentiev – Head of Investor Relations

Thank you for the question. I would point out a very important part of your question that 2025 is about the market recovery and growth of our F&C income. Based on the composition of our F&C income, the business lines that would benefit if the markets go up are the Equities, Derivatives, Depository & Settlement, Fixed Income, and Money markets. So, the vast majority of our F&C income is supported by the price level of assets traded in the Russian market. Essentially, how markets progress in 2025 will determine the direction of our financials. Looking purely at NII and given the dynamics of client balances we just mentioned, it will be impossible to replicate that result. However, we can put our bet on

fees. As you fairly pointed out, we already see that February volumes we reported are very strong, which illustrates how we start to benefit from the slightest recovery of the market.

Kirill Kuznetsov – Enhanced Investments

The last question, if I may, is a very short one on dividends. We saw 65% of net profit last year, although the figures have been higher. At the moment, what is the approximate expectation of what the management will recommend to the Board of Directors and shareholders?

Mikhail Panfilov – CFO

The dividend policy is fully in force. Our Supervisory Board members are currently deciding on the final dividend amount. In the near future we will announce the date when the Supervisory Board makes the dividend recommendation. Thank you.

Kirill Kuznetsov – Enhanced Investments

Thank you very much.

Operator

Thank you. Our next question comes from Andrey Akhatov, Sberbank CIB.

Andrey Akhatov – Sberbank CIB

Thank you so much for your presentation. My question refers to your strategic guidance on the ratio between operating expenses and fee income. How are you planning to achieve it on a strategic horizon? Are you betting on the dynamics of fee income or are you planning to increase fee income in new business lines? Or do you have an opportunity to somehow decrease OPEX to achieve this strategic target? How do you see this in the beginning of 2025? Thanks so much.

Anton Terentiev – Head of Investor Relations

Hello, Andrey. We tried to pre-answer this question in our intro speech, where we said that thanks to elevated NII, we laid a foundation for the implementation of strategic projects and future development and that going forward we will rely more on F&C growth and less on NII. We have core markets and strategic projects. We have a very strong CAGR on our F&C: 19% for the five-year period. We are allocating this cost growth to support new projects as well as the existing business lines. So, what is important in the future? First, we hope that our CAGR continues growing at a high pace and then maybe even accelerates as new projects start performing. At the same time, we give an OPEX guidance at 20–30% for 2025. Net of marketing and adjusted for CPI, it is still in line with the historical pace. Next year, it will decelerate further. We also said in the strategy presentation that our cost growth will be front-loaded, but then our fees will keep going and pick up. Towards the end of the strategic horizon, we expect the fees to carry us forward and we expect this efficiency ratio to be achieved based on F&C performance.

Andrey Akhatov – Sberbank CIB

Thank you very much. Just one last thing. Achieving the goal will be done by growing fee income from the major markets?

Anton Terentiev – Head of Investor Relations

Yes, and also via strategic projects. We have the same line of strategic projects. These are Finuslugi, digital financial assets, and so on. The middle pillar of the strategic slide that we have on the website.

Operator

Thank you. Our next question comes from Olga Naydenova, Sinara Bank.

Olga Naydenova – Sinara Bank

A few small questions. What is the inflation rate you keep in mind while giving the cost guidance, both wage inflation and general inflation rates? You mentioned there were several one-offs in 3Q 2024. Were there any one-offs in 4Q 2024 that we should know of in terms of client balances? Are there any parameters that could be observed from the outside that could trigger change in client balances that we should look at more closely? Thank you.

Anton Terentiev – Head of Investor Relations

I will answer these questions one by one. When you ask about inflation, we can only share the macro assumptions that we use. We are not using any extraordinary internal supermodels. We refer to forecasts by the Ministry of Economic Development or the Bank of Russia, which is basically market consensus. The figure we have is about 6% inflation this year. We do not have a specific wage inflation or some sophisticated metric, we use the general macro input and it is quite standard.

Your next question is about one-offs in NII, which you should know about. In 4Q 2024, we earned about RUB 1 billion less in NII due to a one-off. As for this year, it is too early to talk about 1Q, but you see CNY rates. If you add the RUB 1 billion of under-earned NII back to consensus figures you will see that our NII is still well forecastable and the covering analyst's consensus that you see in front of you is reasonably close to the actual figure for 4Q.

In your last question, you are asking whether there is a firm metric that you can attach client balances expectations to and model it in a transparent way. The answer is no,

unfortunately. We would have provided it to you if it existed. We were not joking when we talked about client preferences as the main factor influencing client balances. There is no some minimum amount that we require for business to run or some macro factors that you can observe. Unfortunately, it is the preferences people do not share with us that really drive this change. That is why we have to provide you our internal understanding of some stabilisation that we have shared with you at least three times today.

Olga Naydenova – Sinara Bank

Yes, thank you. If I may, what about the capital requirements for subsidiaries? Are there any changes here? Could you please tell me everything you can about the required capital of subsidiaries. Thank you.

Anton Terentiev – Head of Investor Relations

It is in our IFRS accounts, I think, page 46, in English version. There is quite a transparent table with all the capital requirements and capital metrics for our subsidiary companies. You can play around these figures. They are as detailed as we can provide at the moment.

Mikhail Panfilov – CFO

We have a stable business model and sufficient safety margin concerning capital requirements. Thank you.

Olga Naydenova – Sinara Bank

Thank you very much. The question was actually aimed at dividend forecast. Please clarify what kind of margin on these capital requirements is comfortable for you.

Mikhail Panfilov – CFO

The dividend policy is in force and in the near future we will announce the date when our Supervisory Board makes the dividend recommendation.

Anton Terentiev – Head of Investor Relations

While we are waiting for more questions to come I will read some questions from the Q&A bar.

Mikhail Ganelin – ATON (question submitted in writing)

Thank you very much for the presentation, please tell me how stable, in your opinion, will be the trend towards a decrease in cash balances in clients' accounts?

Anton Terentiev – Head of Investor Relations

As we mentioned, we have reached half of the 2024 average balances and we think, for the time being, we can cautiously call them stable.

Mikhail Ganelin – ATON (question submitted in writing)

What do you think is the reason for the decrease in interest income?

Anton Terentiev – Head of Investor Relations

It is mostly driven by client balances.

Denis Prikhodko – Alfa Capital (question submitted in writing)

Tell us how you calculate the average balance for the year. Do you take the beginning and end of the year then divide it by half, or do you take quarterly figures and average them out or something else?

Anton Terentiev – Head of Investor Relations

The answer is very simple. Since we are referring to our operational data of management accounts, we have daily averages. We calculate them on a daily basis. You do not see that, but we do.

Anatoly Poluboyarinov – Smartlab (question submitted in writing)

Good afternoon. Thank you for the presentation. What is the duration of bonds in your investment portfolio? Can we assume that the declining interest income that you have now can be compensated thanks to the revaluation of the bond portfolio (at least partially)?

Anton Terentiev – Head of Investor Relations

Maybe partially, but that is totally not how our investment portfolio is designed. We have a cap on duration for the overall investment portfolio. You cannot have a bond portfolio with the duration of one or so years, bonds usually have maturities of a few years. Overall, the portfolio is not designed to play with the duration. However, if we assume that rates go down, some revaluation effect magnified by duration may take place, but it will not entirely cover the missing income.

Operator

There is a follow-up question from Olga Naydenova.

Olga Naydenova – Sinara Bank

I want to ask a question about ECL (expected credit losses). Is there any indication that we will see additional losses here in 2025?

Anton Terentiev – Head of Investor Relations

Thank you for the question. It is not the loss, it is actually the reverse. The reserve unwinding of ECL is probable this year. The estimated amount is around RUB 3 billion. It is a rough calculation but it might happen.

Olga Naydenova – Sinara Bank

Can you please provide some details on why you expect that to happen?

Mikhail Panfilov – CFO

There is a Decree No. 665 of the President of the Russian Federation in place, we can refer to it, and no more. Thank you.

Olga Naydenova – Sinara Bank

Thank you.

Anton Terentiev – Head of Investor Relations

Thank you everyone for your good insightful questions, for following up very closely for one and a half hours of your time, and commitment on our call. We will reconnect shortly for the 1Q 2025 results. In the meantime, we expect to get information on dividends. Thank you.

Mikhail Panfilov – CFO

Thank you all. This concludes our Q&A session and the call. Let us stay in touch.

Operator

Ladies and gentlemen, this concludes our call for today. You may now disconnect.