



**MOSCOW
EXCHANGE**

2 March 2017

FY and 4Q 2016 Earnings Presentation

2016: Strong performance amid lower volatility

✓ A new set of records on the trading markets

- **Primary placements** of fixed income instruments with >1 day maturity **reached a historical high** of RUB 2.5 trln
- **Fee & commission income on the Derivatives Markets** reached a **record high** of RUB 2.1 bln thanks to increased trading volumes of commodities futures, index futures and options. MOEX's Brent futures contract was **the 4th most traded Brent contract** globally, according to the FIA
- **Money Market** demonstrated another year of **record-breaking fee & commission income** (RUB 4.8 bln) on the back of volume growth in REPO with CCP
- **FX Market's** outstanding volume growth in H1 2016 positioned that market for **record FY fee & commission income** of RUB 4.3 bln
- **Assets under custody** at NSD reached a **historical high** of RUB 36.4 trn by the year end

✓ Superior infrastructure further strengthened and achieved recognition

- DataSpace1, the only data center in Russia with Tier-III certification from Uptime Institute, became MOEX's primary data center
- The Bank for International Settlements (BIS) assigned the highest rating to the Russian financial market infrastructure based on an analysis of the legislative framework
- The legal framework for corporate actions reform went into effect. This will lower costs and risks of corporate action processing as all corporate actions will be processed in a centralized manner through a single CSD platform
- Corporate Information Center was launched by NSD, establishing a single source of corporate data with "golden copy" status, which will solve the problem of multiple, inconsistent corporate actions data

✓ Additions to the product portfolio

- Repo with general collateral certificate (GCCs)
- Direct market access to the Money Market for corporate clients through M-deposits
- Deliverable futures contracts on USD/RUB, EUR/RUB and CNY/RUB
- Futures on Rouble Overnight Index Average interest rate
- The first program of overnight bonds




Trend of local placements continued

All public capital raisings by Russian companies in 2016 were held exclusively on MOEX

Company	Sector	Date	Transaction type	Transaction value, RUB bln
	Leasing	December 2016	SPO	15.0
	Oil & gas	November 2016	IPO	32.4
	Financials	October 2016	IPO	11.7
	Metals & mining	July 2016	SPO	54.4
	Manufacturing & transportation	May 2016	SPO	5.0
	Financials	April 2016	SPO	2.6
	Agriculture	April 2016	SPO	16.3


... and a good start for 2017:

 **SPO**
(oil & gas services)

Date: 3 Feb 2017
Deal size: RUB 10 bln (\$174 mln)
Free float: up from 16% to 30%

 **IPO**
(retail)

Date: 8 Feb 2017
Deal size: RUB 21.1 bln (\$356 mln)
Free float: 30.55%

 **SPO**
(fertilizers)

Date: 8 Feb 2017
Deal size: RUB 15 bln (\$255 mln)
Free float: up from 20% to 25%

Improved corporate governance as a result of listing modernization

Completion of the 1st stage of the listing reform

Following adoption of the new Corporate Governance Code in 2014, MOEX initiated a program to bring listing requirements into line with global standards and the Code:

- ✓ **Listing structure simplified:** 3 quotation lists (Highest, Standard, Off-the-list) replaced the previous 6
- ✓ **Stricter criteria for inclusion in Highest list:** at least 3 Independent Directors, history of 3 years of IFRS accounts (vs. 1 year previously), free float of at least 10%, requirement to have internal audit department and Board-approved policy on internal audit, etc
- ✓ **Issuers are eligible to list in any section at IPO.** This allows pension funds and insurance companies (that are authorised to buy only the highest-level stocks) to invest at the IPO stage
- ✓ **Stricter requirements for Directors to be considered Independent**
- ✓ **Listing committee** consisting of more than 30 market experts was launched at MOEX **to monitor special listing situations**

Results of the 1st stage: higher listing quality, approved dividend policies, increased number of INEDs

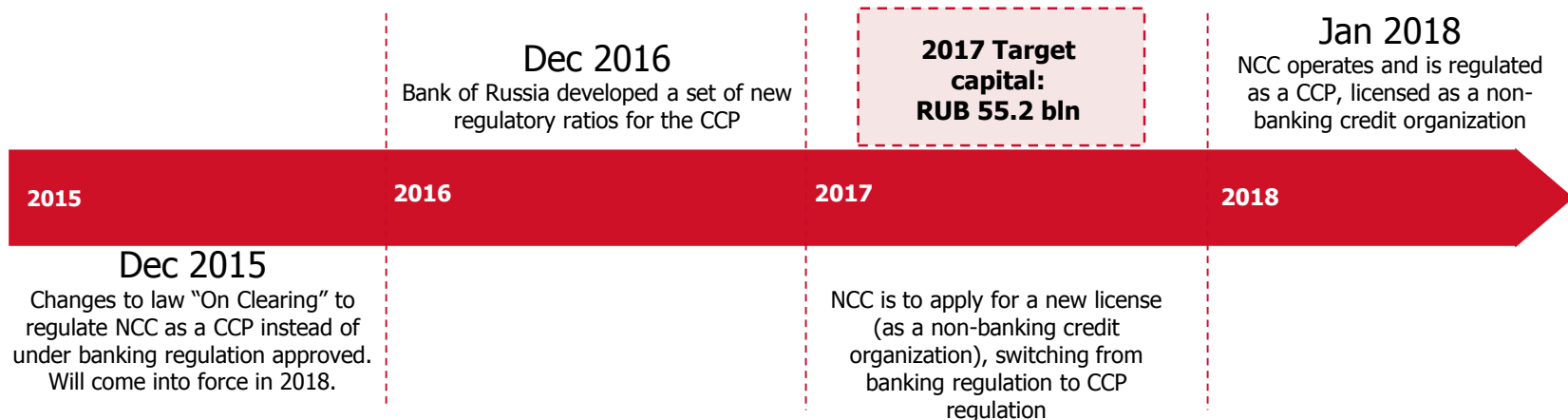
	June 2014		Jan 2017	
	Highest list	Standard list	Highest list	Standard list
# of Independent Directors	150	69	222	73
Issuers complying with criteria for Audit Committee	2 issuers (3.57%)	0 issuers	52 issuers (100%)	33 issuers (100%)
Issuers complying with criteria for HR and Remuneration Committee	1 issuer (1.79%)	n/a	52 issuers (100%)	n/a
Issuers with approved dividend policies	45 issuers (80.3%)	n/a	52 issuers (100%)	33 issuers (100%)

What's next?

- ✓ On 1 October 2017 the Corporate Governance Code's requirements for INEDs will fully come into force
- ✓ Starting January 2018, only ratings by approved rating agencies will count towards listing requirements



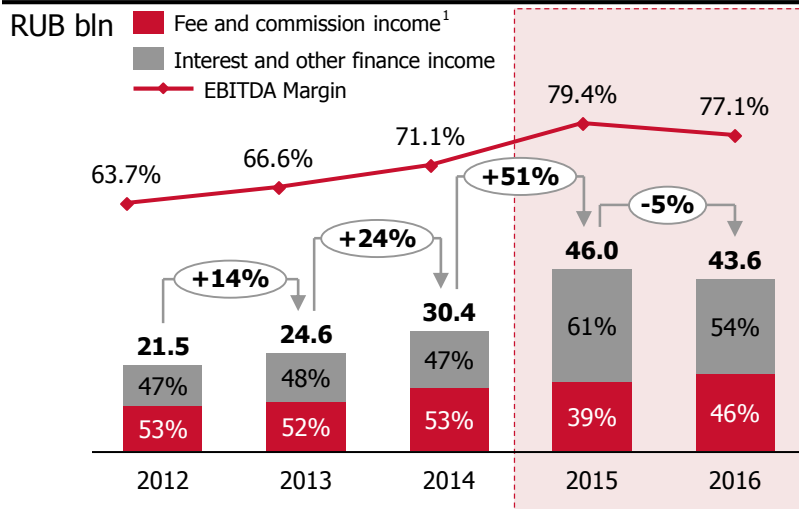
From 2018 NCC will be regulated as CCP



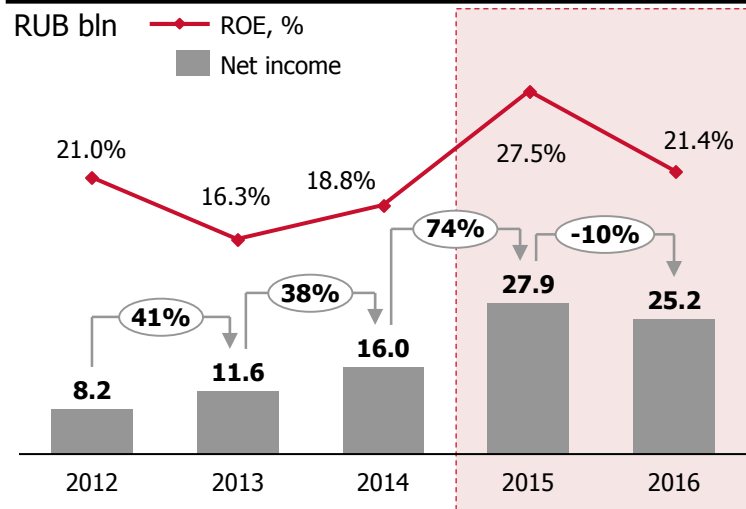
Capital adequacy	At all times NCC's own capital shall exceed the sum of "skin in the game", the minimum capital to maintain 11% of RWA and a reserve of 75% of annual operating expenses
Adequacy of total resources	At all times the sum of "skin in the game" and the guarantee fund shall exceed potential losses in the event of default of the two largest counterparties
Adequacy of initial margin	Price fluctuations of each asset shall not exceed the initial margin amount in more than 99% of cases of price changes
Liquidity ratio	The amount of liquid assets of the CCP at any time shall exceed the amount of potential losses in the event of default of the two largest counterparties
Collateral concentration	A certain type of asset is eligible as collateral if its addition does not make its share in total assets placed as collateral by market participants exceed 25%

Key financial highlights 2016

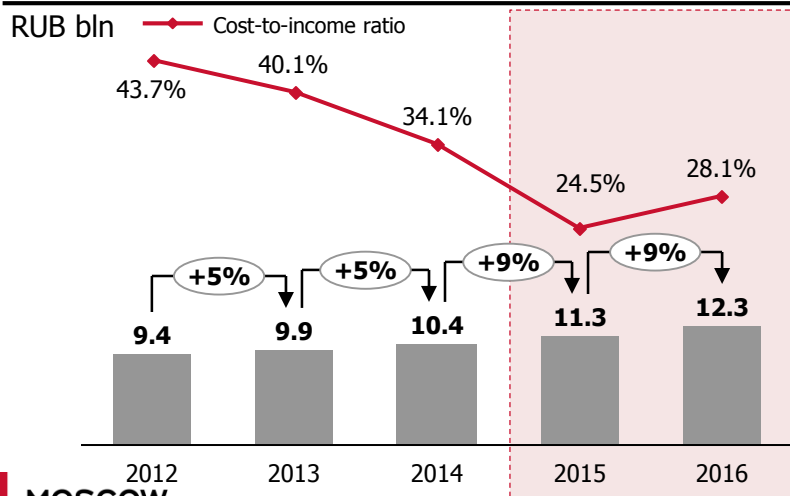
Growing fees support the EBITDA margin



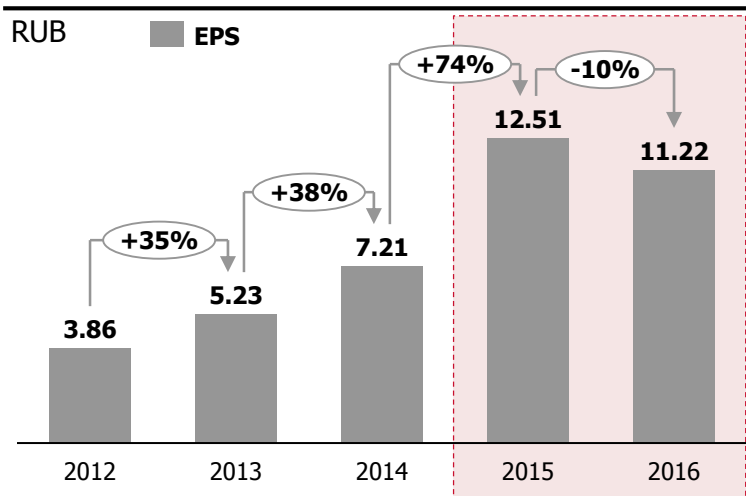
Strong ROE generation



Tight control over expenses



EPS 2012-2016: CAGR of 31%



Trading markets in 2016

Money Market

	RUB trn	% YoY
Trading volumes¹	381.2	+47%

	RUB trn	% YoY
REPO with CCP trading volumes	176.2	+164%

- Trading volumes grew 47% YoY driven by both segments – repo (up 51% YoY) and credit and deposit transactions (up 15% YoY).
- Trading volumes of repo with the CBR (-26% YoY) were more than offset by inter-dealer repo (+61% YoY) and especially repo with the CCP (+164% YoY), which remained the fastest-growing line across all Money Market products and contributed 46% of all trading volumes¹.

FX Market

	RUB trn	% YoY
Trading volumes	330.0	+6%

		p.p. YoY
MOEX market share	52.8%	+3.6 p.p.

- Trading volumes increased 6% YoY despite lower volatility compared to 2015, driven by both spot volumes (up 4% YoY) and swap volumes (up 7% YoY).
- MOEX's market share of the onshore market grew to a record 53% versus OTC trading volumes, as compared to 49% last year.

Depository and Settlement Services

	RUB trn	% YoY
Assets under custody (average for the period)	33.1	+14%

- Average assets under custody grew by 14% YoY and in December 2016 reached an all-time high of RUB 36.4 trn. The fastest growing categories of assets under custody were shares, thanks to increased market capitalization, and corporate bonds and Eurobonds.



Trading markets in 2016

Derivatives Market

	RUB trn	% YoY
Trading volumes	115.3	+23%

	RUB trn	% YoY
Futures on commodities	15.2	+248%

- Trading volumes increased by 23% YoY, with most of the growth coming from futures on commodities (+248% of RUB volumes YoY), futures on indices (+29% YoY) and options (+66% YoY), offsetting lower trading of FX futures on the back of lower volatility.
- Commodity derivatives remained the fastest growing product and contributed 13% of total derivatives volumes vs 5% a year ago. Futures on Brent grew 3.7 times YoY, while trading volumes of contracts on copper, sugar and precious metals grew 2.4 times.

Equities

	RUB trn	% YoY
Trading volumes	9.3	-1%

	# of accounts, ths	% YoY
Active retail clients	110.5	+35%

- Trading volumes declined just 1% YoY despite muted market volatility throughout the year.
- Number of active retail investors grew by 35% in 12M of 2016. The lower interest rate environment and the growing popularity of Individual Investment Accounts spurred retail investors to be more active on higher yielding equities market.

Fixed Income Market

	RUB trn	% YoY
Trading volumes	14.6	+31%

	RUB trn	% YoY
Primary placements	5.0	+91%

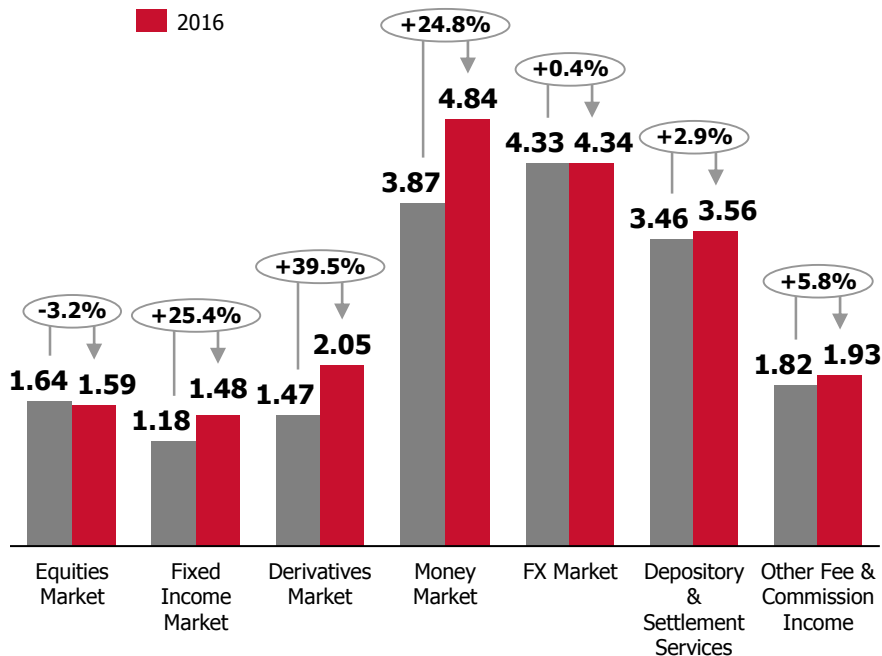
- Trading volumes increased 31% YoY mostly driven by new placements (up 91% YoY), while secondary trading volumes grew 12% YoY thanks to growing liquidity of on-exchange trading in government bonds.
- The primary market for government bonds grew 70% YoY driven by the federal budget's needs. Placement of corporate bonds with maturity >1 day grew by 27% YoY, while newly issued corporate loans grew by 4% YoY in 2016¹.



Diversified fee & commission income

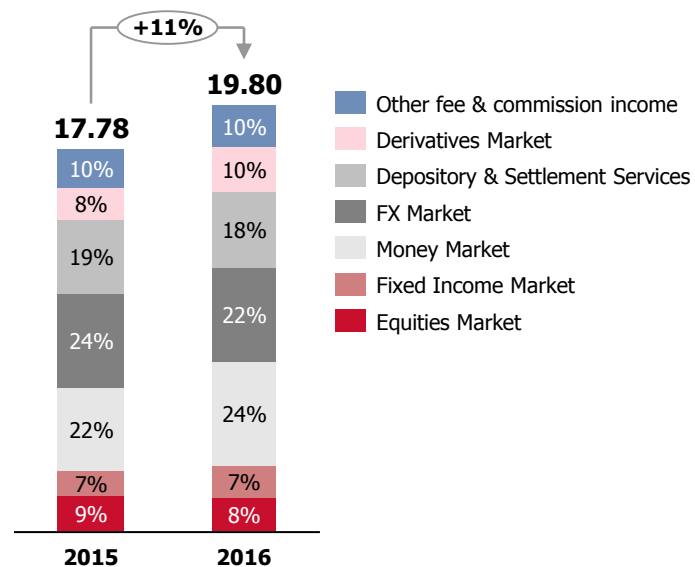
Fee & commission income performance

RUB bln 2015
 2016



Fee & commission income breakdown

RUB bln

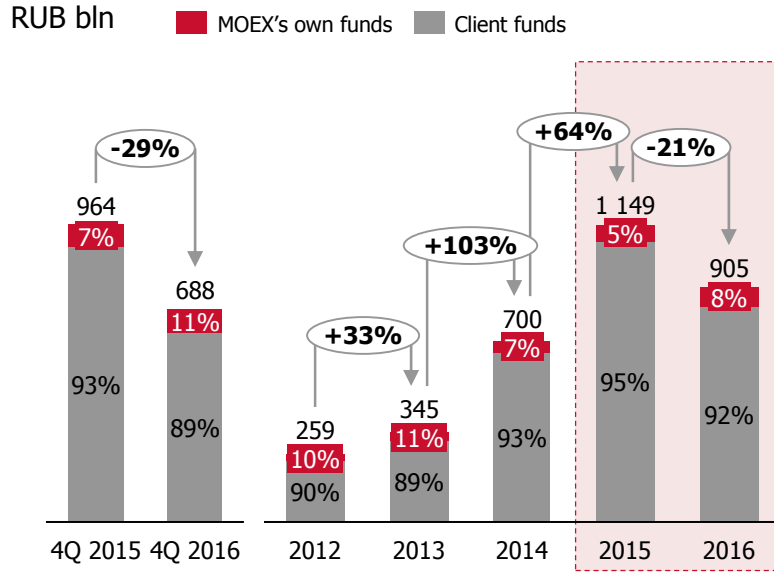


Key takeaways

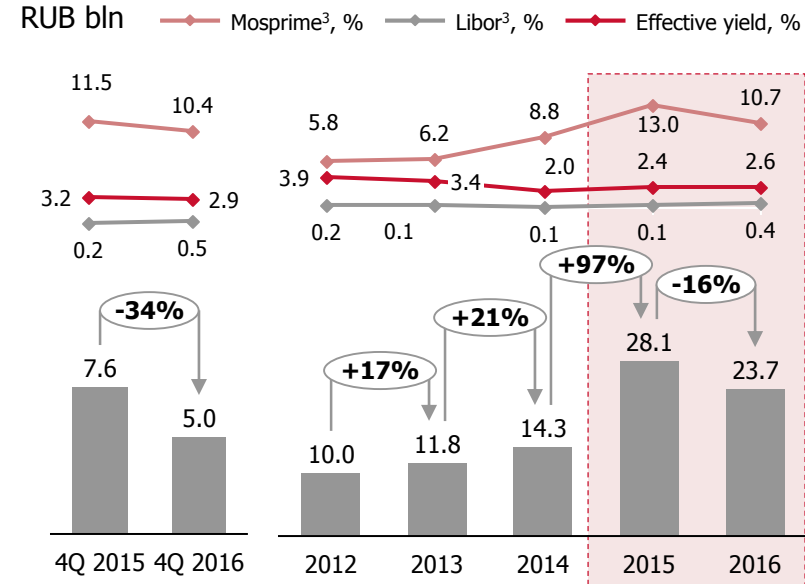
- Fee and commission income increased by 11% YoY to RUB 19.8 bln, with the Derivatives, Fixed Income and Money Markets showing highest growth rates.
- Fee and commission income remained well-diversified. None of the seven markets contributed more than 25% of total fees and commissions.

Interest and finance income

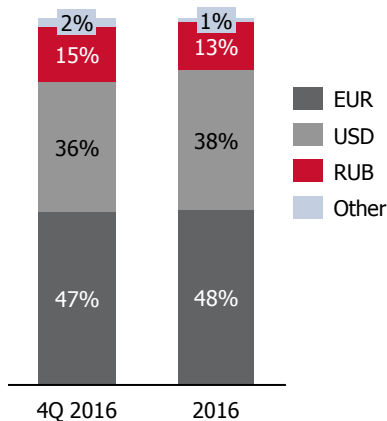
Investment portfolio¹



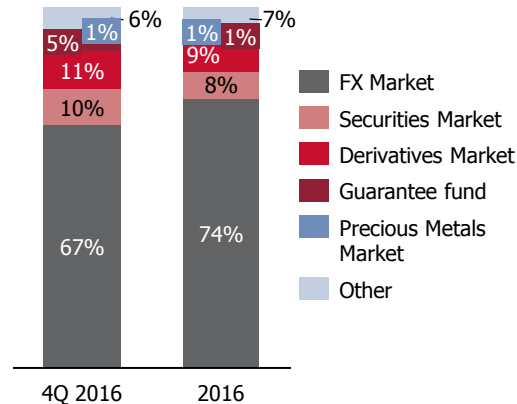
Interest income²



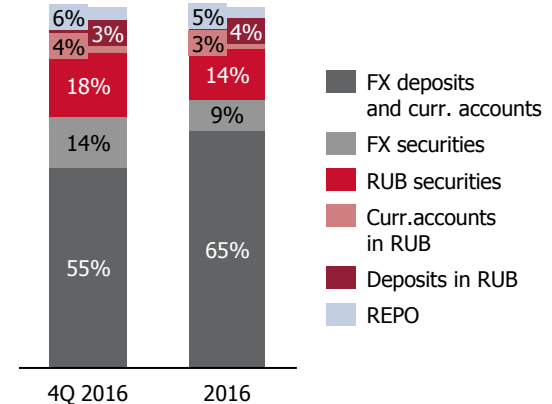
Client funds by currency



Client funds by source



Investment portfolio by type of asset



Source: NFEA, Bloomberg, Moscow Exchange operational information and Consolidated Financial Statements

¹ Based on average daily investment portfolio for the period according to management accounts

² Interest income includes Interest and other finance income, Interest expense, Net loss on financial assets available-for-sale, Foreign exchange gains less losses

³ Average daily rate for the period



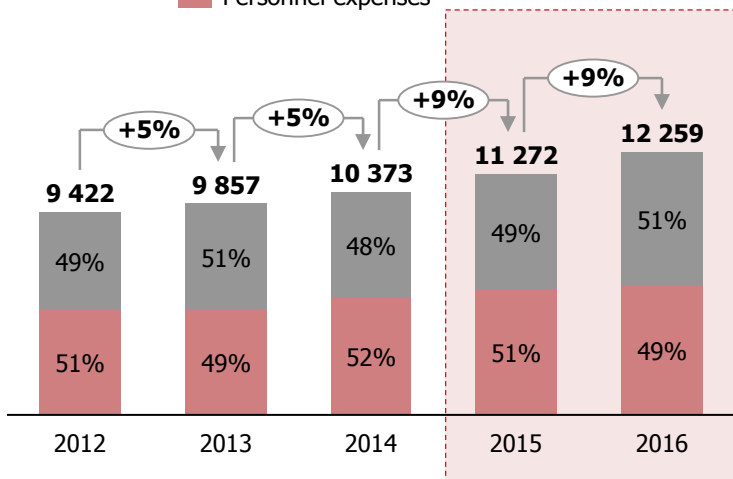
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Operating expenses

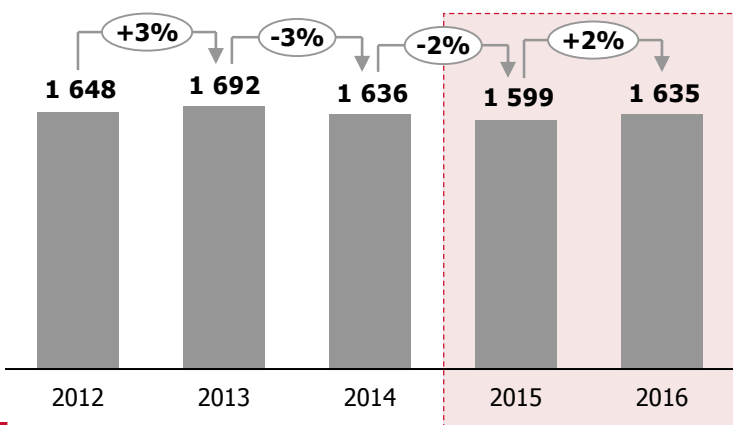
Operating expenses

RUB mln

■ Administrative and other operating expenses
■ Personnel expenses



Headcount



Major expense items

RUB mln	2015	2016	Change YoY
Personnel expenses	5,783	5,947	3%
Administrative and other operating expenses, including	5,489	6,312	15%
Amortisation of intangible assets	1,207	1,262	5%
Equipment and intangible assets maintenance	683	966	41%
Depreciation of property and equipment	593	1,032	74%
Rent and office maintenance	490	480	-2%
Taxes other than income tax	451	476	6%
Professional services	358	318	-11%
Advertising and marketing costs	323	407	26%
Total	11,272	12,259	9%
Cost income ratio	24.5%	28.1%	3.6 p.p.

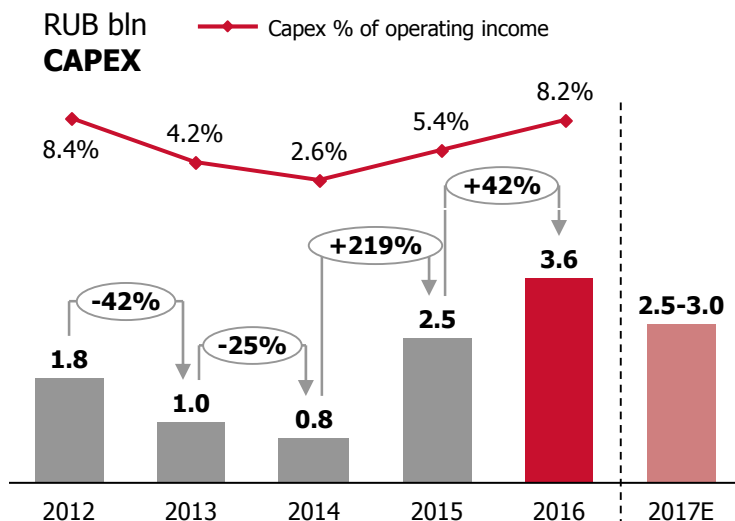
Comments

- In 2016 operating expenses grew by 9% YoY, below the FY 2016 guidance, which allowed MOEX to retain a best-in-class cost-to-income ratio.
- Administrative and other expenses increased by 15% YoY. The highest growth items were equipment and IA maintenance and depreciation of property and equipment, as MOEX successfully completed migration to Dataspace1, a new state-of-art data center.
- Personnel costs increased by 3% YoY, in line with headcount growth.



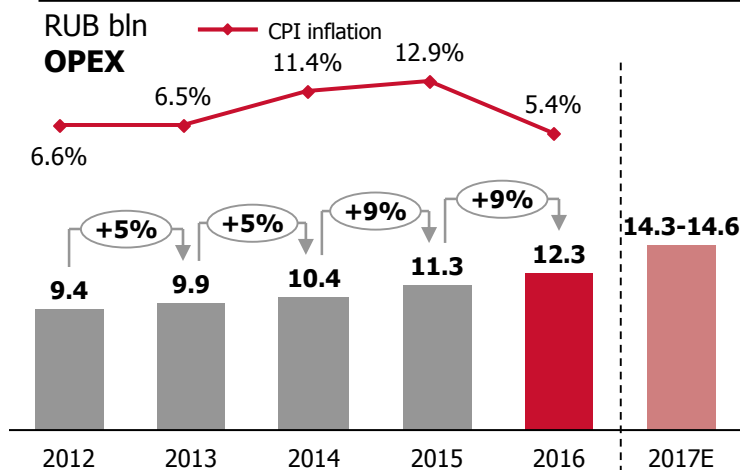
CAPEX and OPEX 2017

Moderate capital intensity in spite of operating a technology-based business



- Capex 2016 peaked, and amounted to RUB 3.6 bln, in line with guidance.
- In 2017 and onwards capex is expected to normalize at RUB 2.5-3.0 bln/year.
- The scope of key capital expenditures includes:
 - New IT architecture to add functionality of single collateral pool
 - Hardware upgrade
 - Corporate actions reform

Effective cost management

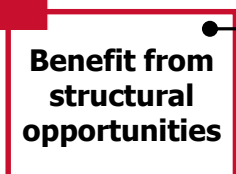


- In 2017 operating expenses growth is expected to be in the range of 17-19% driven by:
 - ✓ Double-digit administrative expenses growth as a result of higher D&A and IT maintenance costs following migration to the new datacenter and increased IT footprint
 - ✓ Personnel expenses growth above inflation mostly due to selective salary increases and approval of the new share-based compensation scheme



Priorities and key sources of growth

- DMA for corporates to FX and Money Markets
- Repo with General Collateral Certificates to improve efficiency of repo trades
- Development of short-term and ultra short-term bonds, securitization
- Development of grain and sugar markets
- Value-added market data sales
- Centralized clearing of OTC derivatives
- E-voting services



- Introduction of unified collateral pool across all markets
- Risk-netting between asset classes
- Development of collateral management services
- Development of cross-margining
- Development of unified data storage across the Group

- Retail investors: support of fintech for individuals, on-line marketing tools, product and brand development, educational efforts
- International flow: Sponsored Market Access (SMA) to FX Market, development of international clearing membership on FX and derivatives markets, EMIR/CFTC accreditation
- Corporate players on FX, Money and Commodities markets
- Focus on corporate governance to further market quality improvement

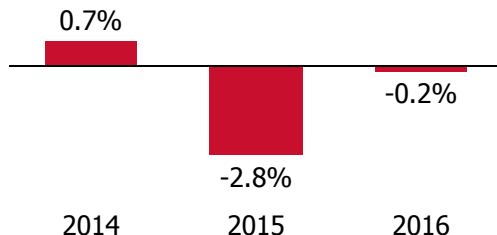
- New equities offerings by both privately-owned and state-owned companies
- Public debt increase driven by both the government and corporates
- Retail investors shift towards securities market
- Pension funds access to MOEX's Innovations and Investment section

Appendix

Macroeconomic and market environment in 2016

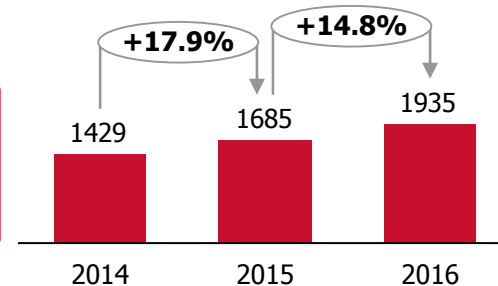
Real GDP dynamics

%



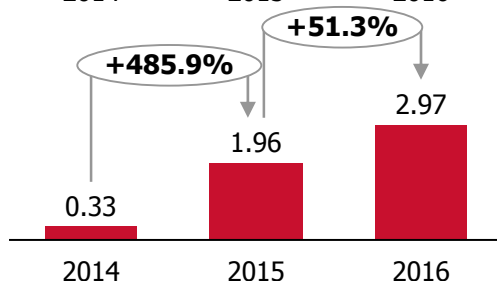
MICEX Index

average for the period



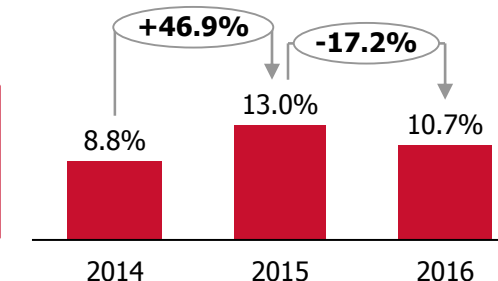
Budget deficit

RUB trn



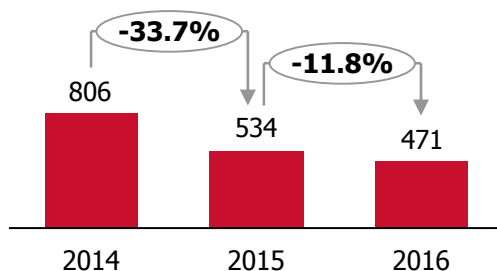
Mosprime rate

average for the period, %



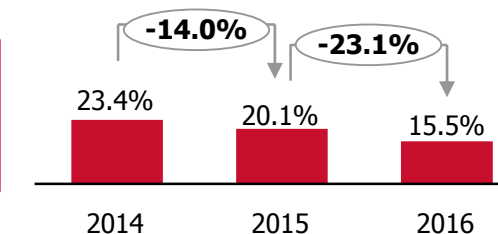
Exports + Imports¹

USD bln



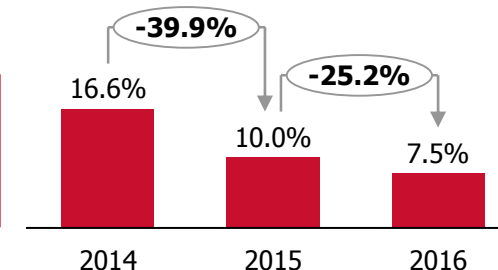
MICEX Index volatility²

%



USD/RUB volatility³

%



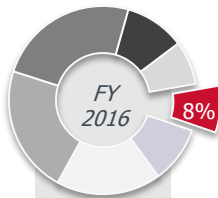
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Source: Rosstat, Ministry of Finance of the Russian Federation, Federal Customs Service, CBR, NFEA, MOEX

1 Source for 2014-2015 – Rosstat, 2016 – Federal Customs Service

2 Calculated as annualized standard deviation of daily returns

3 Calculated as daily standard deviation for the period divided by the average value for the period

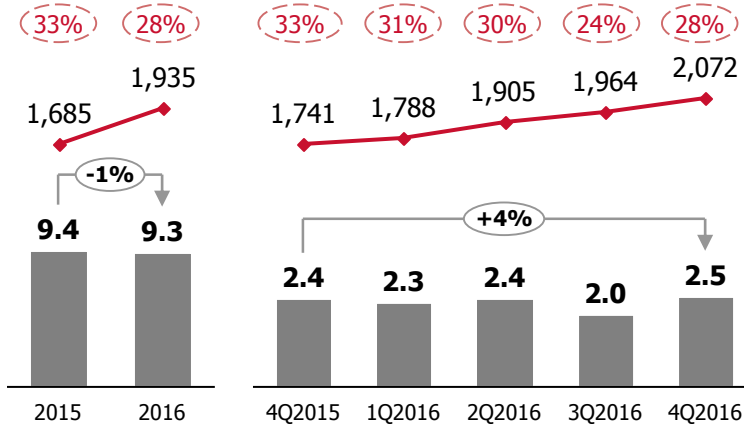


Equities Market: lower volatility, growing index

Trading volumes¹

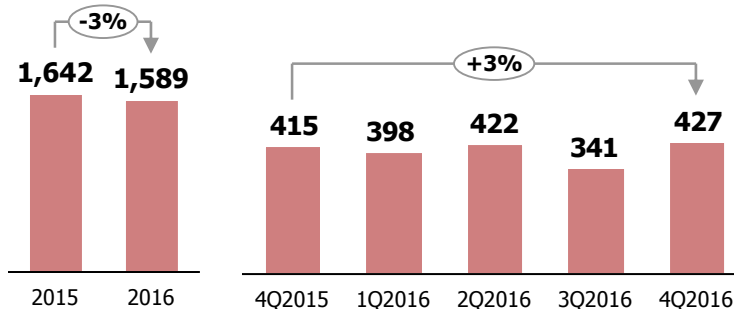
RUB trn — MICEX Index (average for the period) — Equities

XX% Velocity



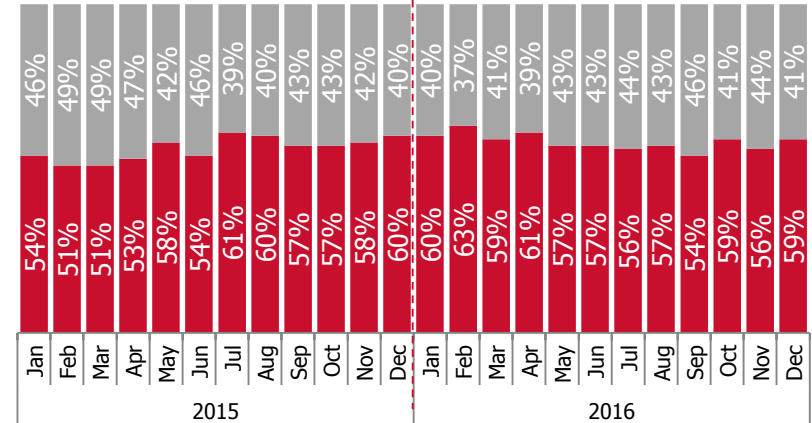
Fee & commission income

RUB mln



Russian equities trading volumes², MOEX vs LSE

%



■ Moscow Exchange³ ■ LSE - international order book³

Comments

- Average velocity of the Equities Market was 28% in 2016. Trading volumes decreased by 1% YoY while the average market capitalization increased by 17%.
- Fee and commission income decreased 3%, due to the lower trading volumes.
- MOEX's average market share vs LSE for dual-listed stocks was 58% in 2016.

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

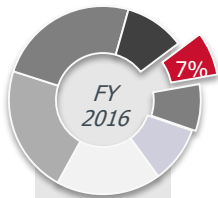
1 Volumes on both primary and secondary markets

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

3 Only electronic order book deals

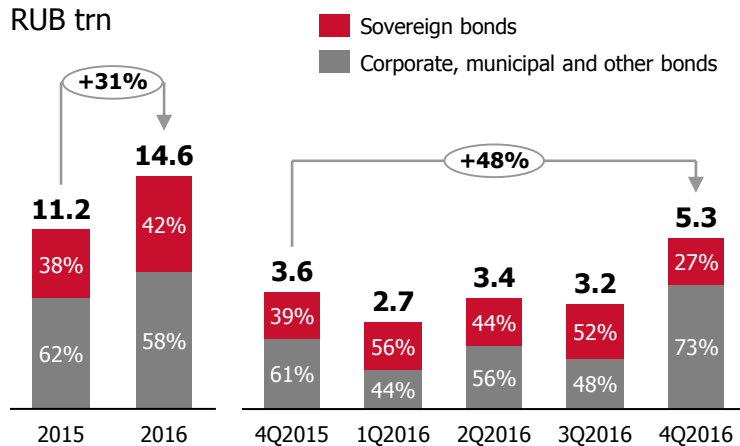


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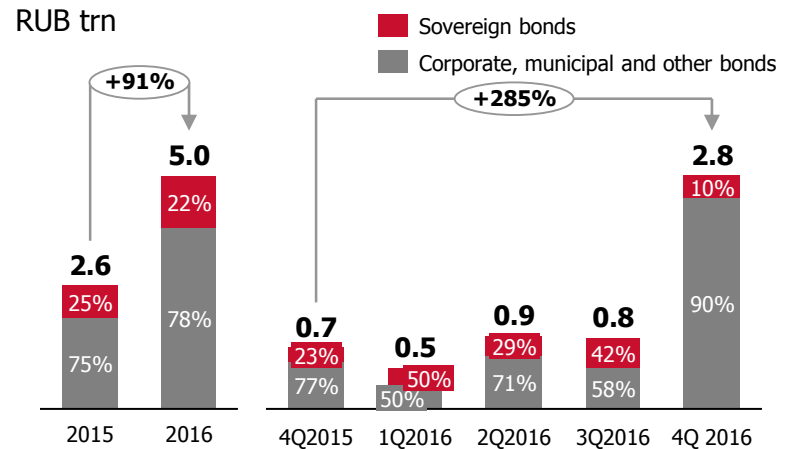


Fixed Income Market: growth in fees driven by new primary placements

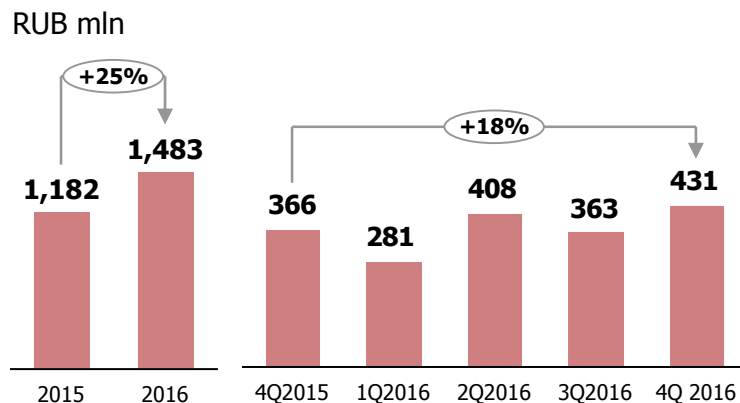
Trading volumes¹



Primary market

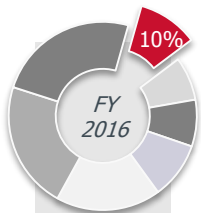


Fee & commission income



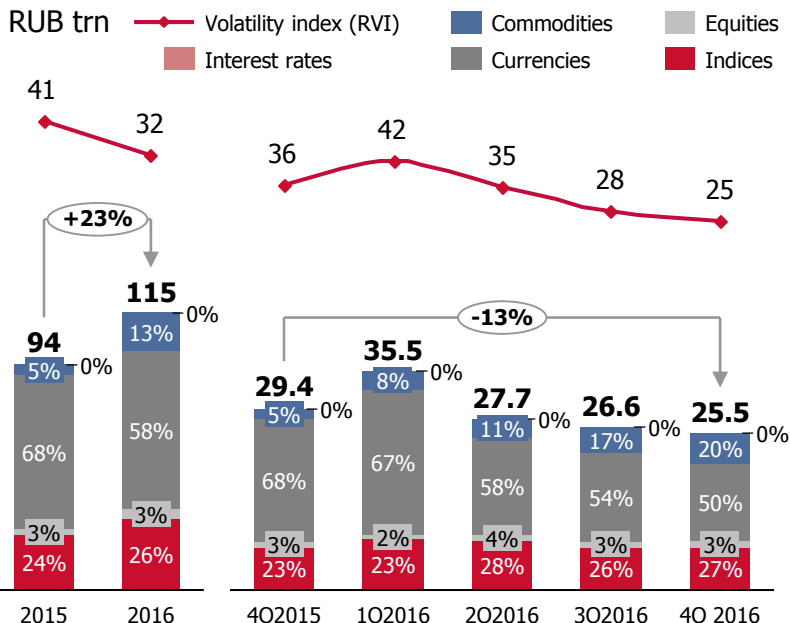
Comments

- Fee and commission income grew by 25% in 2016 primarily due to placements and secondary trading of sovereign bonds and placements of corporate and other bonds.
- Total trading volumes in 2016 increased by 31%. Around 70% of the increase in volumes came from primary placements.
- The need to finance the increased budget deficit resulted in a 70% growth of government bonds issuance. Placements of corporate and other non-sovereign bonds increased 98%, in large part due to a new product, overnight corporate bonds, which contributed RUB 1.4 bln to new placements.

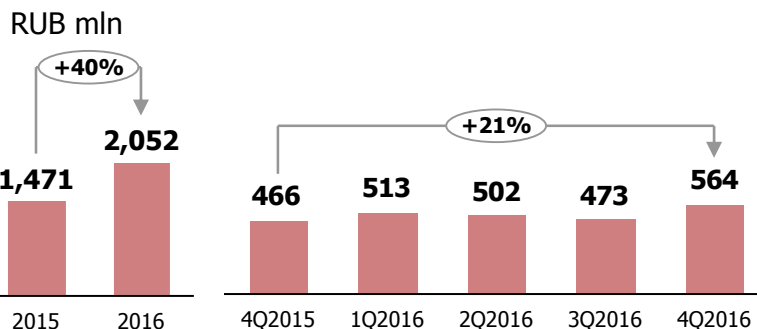


Derivatives Market: commodities continue standout performance

Trading volumes

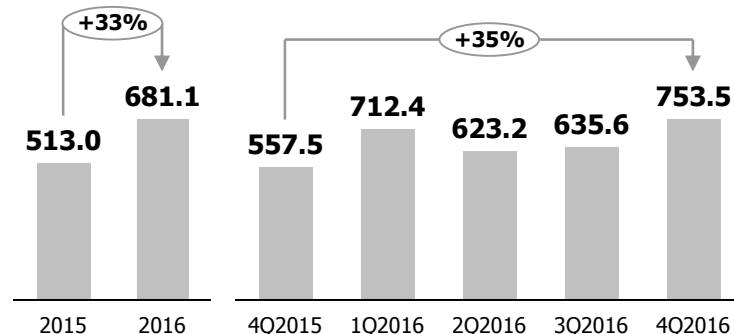


Fee & commission income



Open interest

RUB bn, daily average

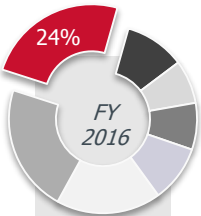


Comments

- Trading volumes increased by 23% in RUB terms in 2016. Fee income outperformed trading volumes and grew by 40% YoY thanks to a shift to higher-margin products and a change in the fee structure in 4Q 2016. The average effective fee increased from 0.16 bp last year to 0.18 bp in 2016.
- Commodity derivatives were the fastest growing types of contracts, with futures and options on commodities growing 3.5x and 19.3x YoY respectively. Options trading volumes increased by 66% YoY in RUB terms. The growth was driven by options on commodities (19.3x YoY) and on indices (+72% YoY).
- Average open interest grew by 33% YoY from RUB 513.0 bln to RUB 681.1 bln.
- From Oct 3rd a new tariff structure, linking fees to prices of underlying assets, came into effect on the Derivatives Market. The new structure harmonizes tariffs with the rest of the product portfolio and unifies tariffs among derivatives on the underlying assets of the same type.

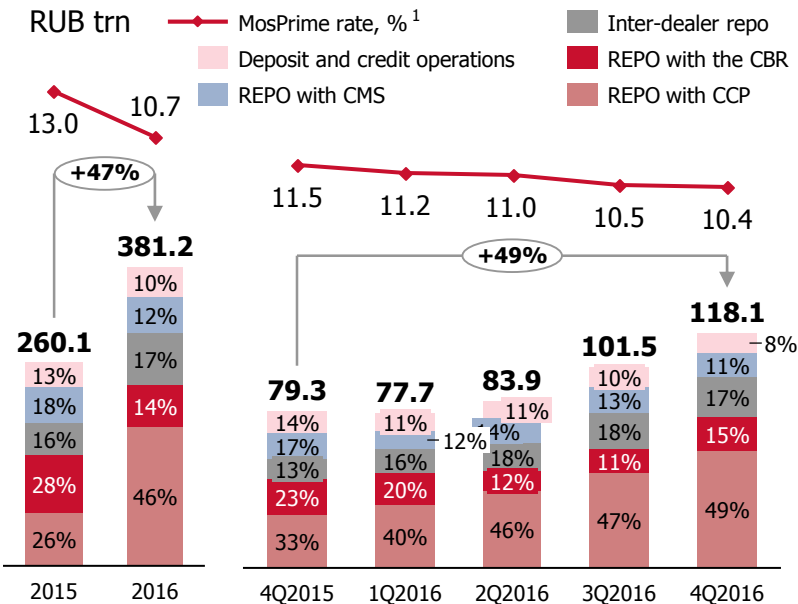


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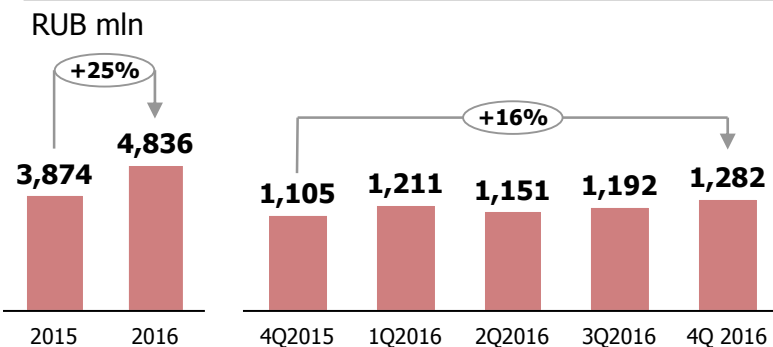


Money Market: demand for on-exchange services continues to grow

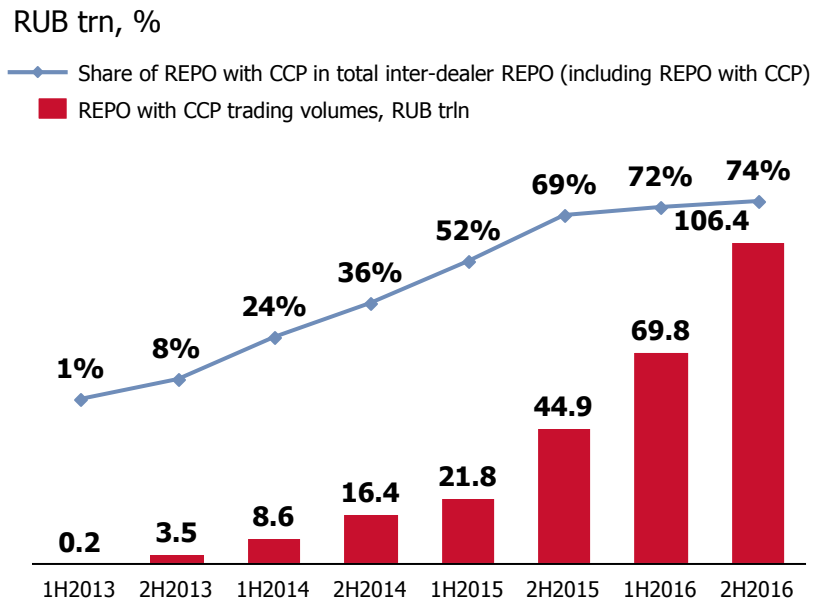
Trading volumes



Fee & commission income



Trading volumes for REPO with CCP

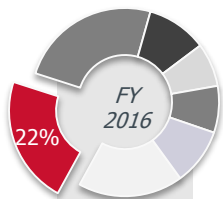


Comments

- Fee and commission income increased by 25% YoY. The biggest contributor to growth was repo with the CCP (trading volumes up 2.6x YoY).
- Average REPO maturity declined from 6.6 days to 3.4 days due to lower demand for longer term REPO. However, average maturity of REPO with the CCP grew from 1.8 to 2.3 days following the introduction of 1-week REPO at the beginning of 2016.

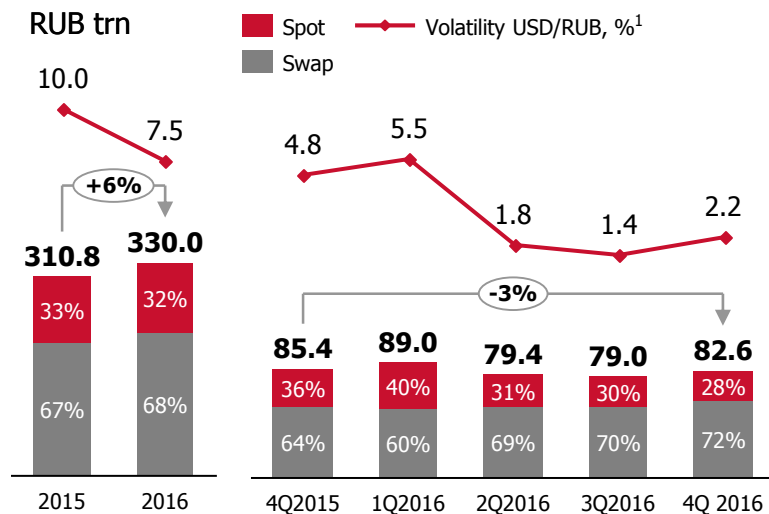


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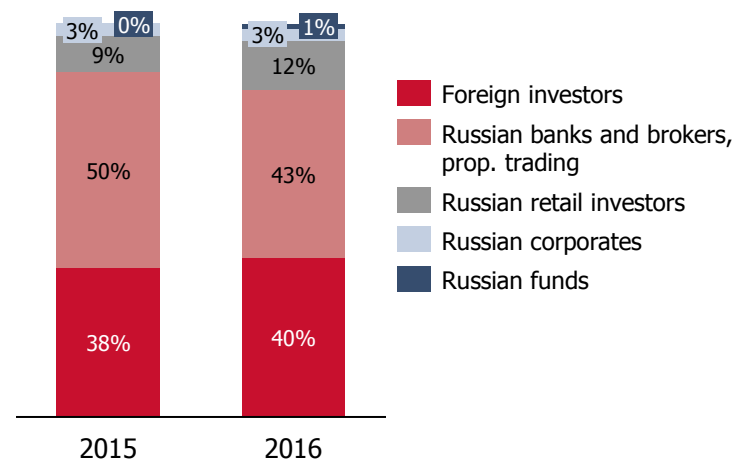


FX Market: normalization of volatility

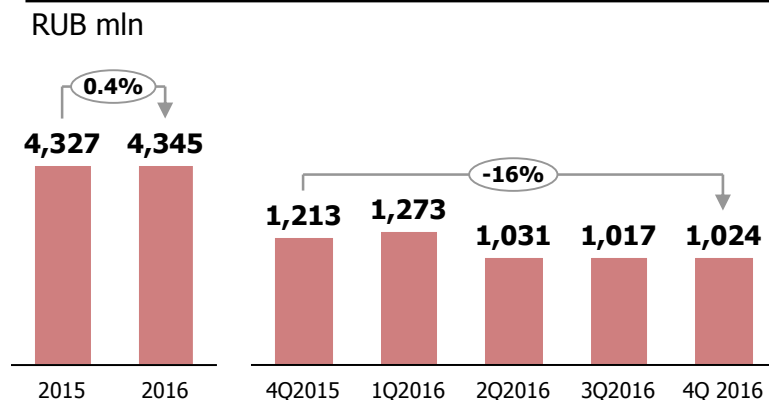
Trading volumes



Share in MOEX spot FX market by investor type



Fee & commission income



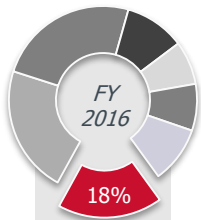
Comments

- Trading volumes increased by 6% despite markedly lower FX volatility. Fees stayed flat (+0.4% YoY).
- Swaps remained in strong demand among market participants as a liquidity management tool and contributed 68% to total trading volumes versus 67% a year ago.
- The market share of MOEX's FX Market vs OTC increased from 49.2% in 2015 to 52.8% in 2016.



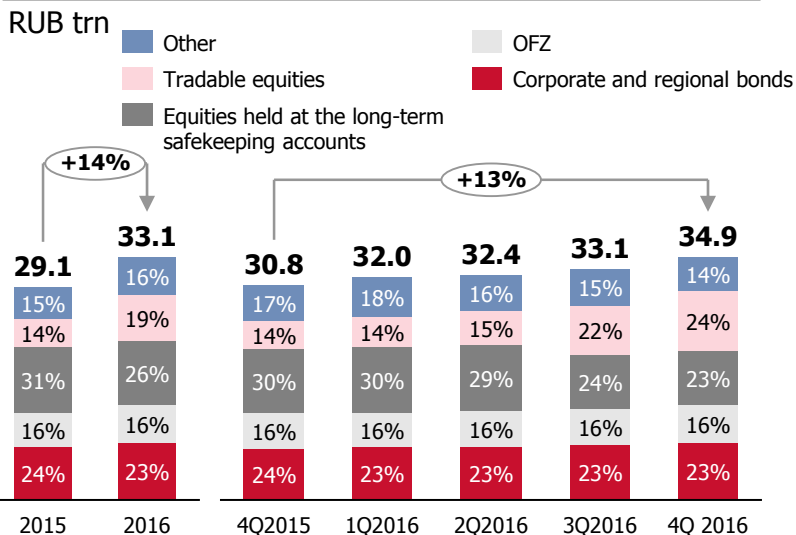
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Source: Moscow Exchange operational information and Consolidated Financial Statements, CBR
 1 Calculated as daily standard deviation for the period divided by the average value for the period

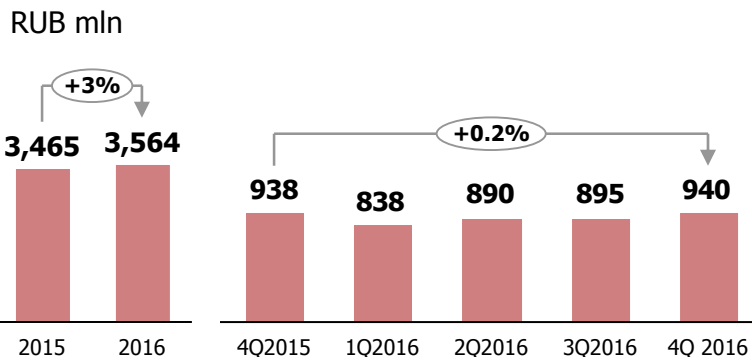


Depository and settlement: continued growth of assets under custody

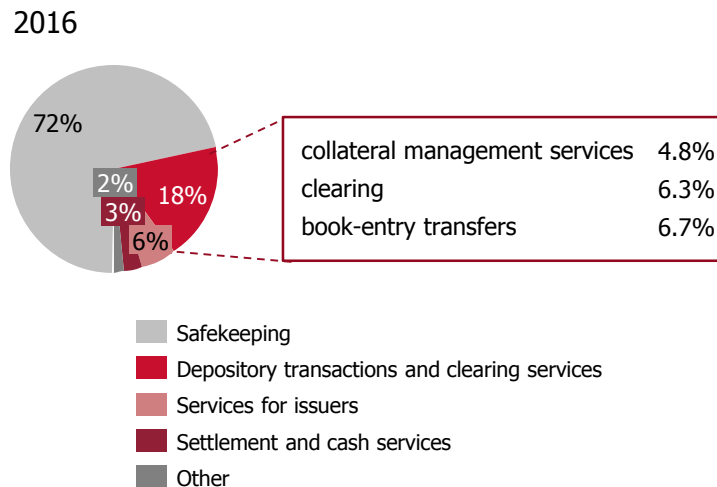
Assets on deposit (average for the period)



Fee & commission income



Fee & commission income breakdown

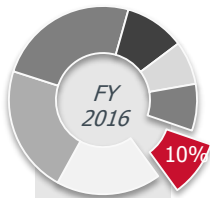


Comments

- The increase in assets under custody was driven by increased market cap of the Equities Market and new bond placements, both by corporates and the government.
- On 1 July 2016, the legal framework for corporate actions reform went into effect. Corporate Information Center was launched by NSD, forming a single source of corporate data with "golden copy" status, which aims to solve the problem of multiple, inconsistent corporate actions data.
- NSD played a key role in the Finance Ministry's Eurobond placements in September and May 2016, acting as lead depository as well as fiscal and settlement agent.



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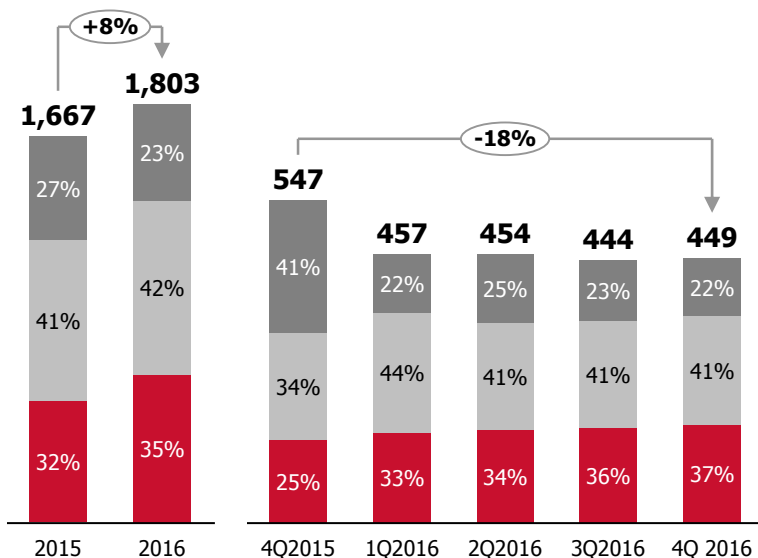


Other fee and commission income: growth in fees driven by sales of software and technical services

Other fee & commission income¹

RUB mln

- Listing and other fees related to Securities Market
- Information services
- Sale of software and technical services



Comments

- Listing and other fees related to the Securities Market declined by 8% YoY mostly due to higher demand to absorb larger placement sizes, which led to a lower number of new placements.
- Fee income from sale of information services and software and technical services grew by 9% YoY and 21% YoY, respectively, driven by product development and expansion of the client base.

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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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