



**MOSCOW  
EXCHANGE**

March 2017

**Investor presentation**

# MOEX Investment highlights

**1992**  
MICEX (Moscow Interbank Currency Exchange) established

**1997**  
National Settlement Depository (NSD) established

**2006**  
National Clearing Centre (NCC) established

**2011**  
Merger of MICEX and RTS

**2011-2016**  
Financial infrastructure reform put MOEX on par with global peers

Currency → Government securities → REPO → Corporate securities → Derivatives



→ Commodities

**1995**  
Foundation of **RTS** (Russian Trading System)

**1997**  
**MICEX index** – the first Russian equities index launched

- ✓ Financial markets mega-regulator: the Central Bank of Russia
- ✓ New set of market regulation
- ✓ Fully operational CSD launched
- ✓ Unification of clearing across tradable assets
- ✓ Equities Market migrated to T+2
- ✓ Euroclear and Clearstream access to all asset classes
- ✓ New corporate governance code and listing reform



Operates in one of the largest economies globally and encompasses major tradable asset classes on Russian capital markets



Strong transparency and corporate governance standards



Unique diversified and vertically-integrated business model, which proved resilient amidst various macro conditions and offers low-cost product scalability



Attractive dividend policy



Leading market position in a global context and successful track record of infrastructure reforms and improving regulatory framework



Solid financial track record over a long-term period



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Business overview

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Corporate governance and dividends

3

Market position and competitive strategy

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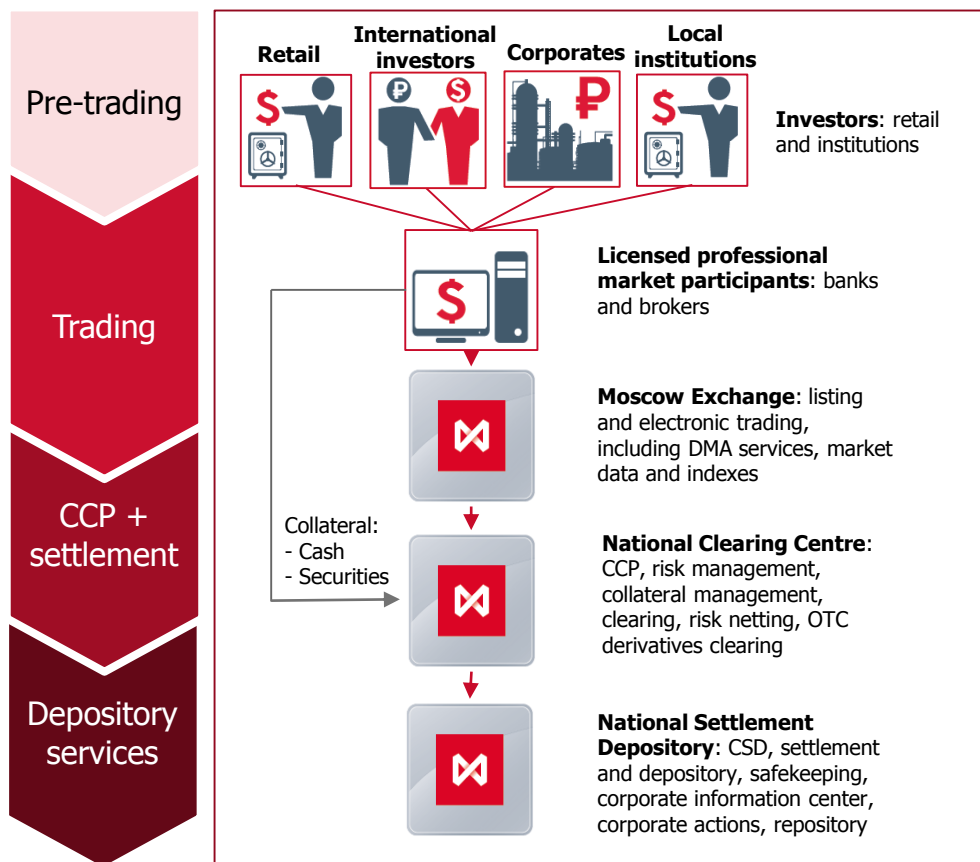
Financial track record

5

FY and 4Q 2016 update



# On-exchange market: capturing the whole value chain

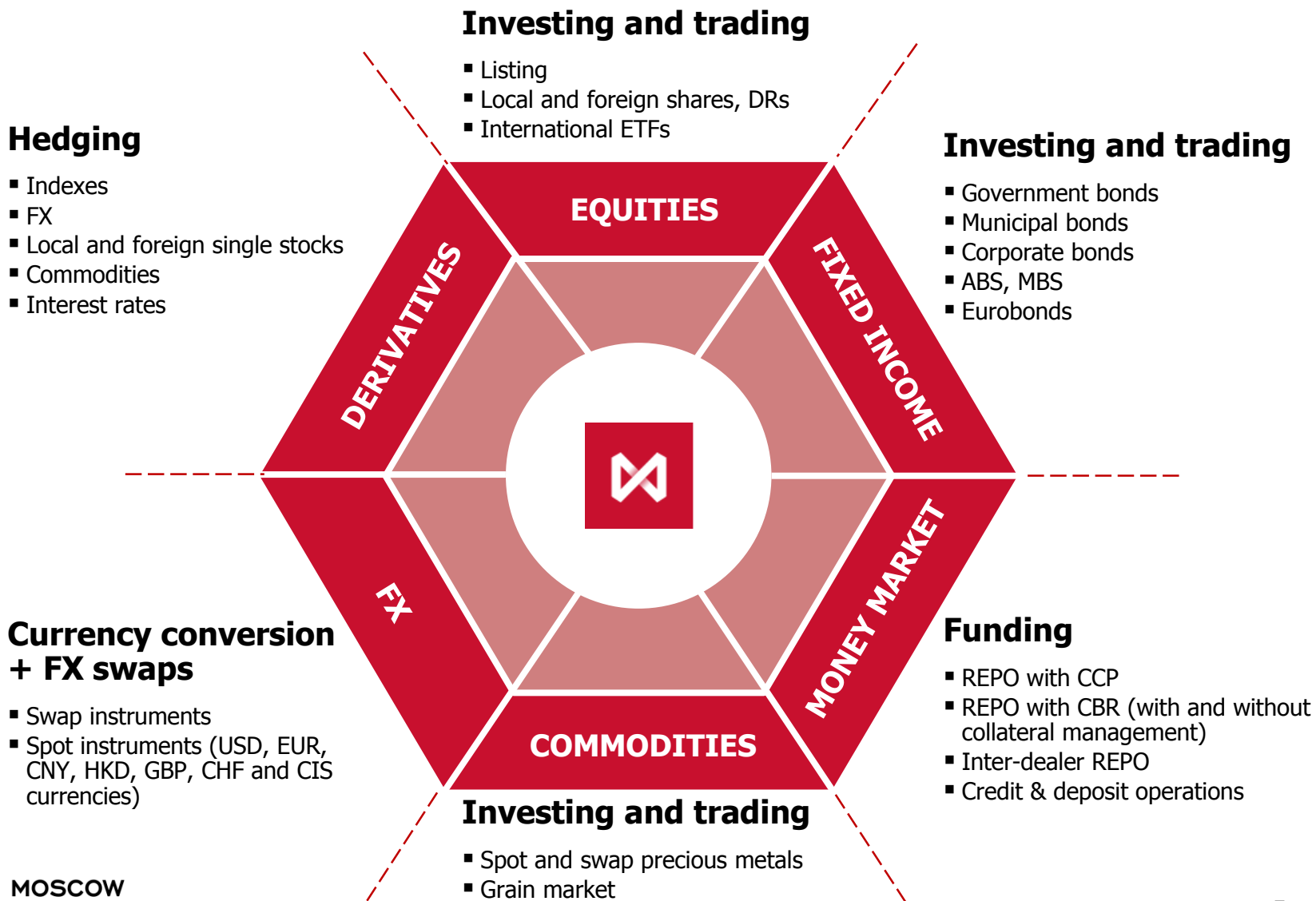


- ✓ MOEX captures the whole value chain for end-customers, offering a one-stop shop for listing, risk management, market data, multi-asset trading, clearing, settlement and custody.
- ✓ MOEX is strategically positioned to benefit from the development of Russia's capital markets in the coming years

- ✓ Fully vertically integrated infrastructure with regulation and oversight by the Bank of Russia (CBR)
- ✓ Investors trade through brokers and banks, which are licensed locally and have access to MOEX markets
- ✓ Single-tier clearing system requires all participants to provide eligible collateral to trade any asset class, while pre-trade risk checks prevent "fat fingers"/"flash crash" problems
- ✓ The market is open for competition (except the CSD) since its inception, but barriers to entry are very high due to MOEX's post-trade infrastructure and on-exchange market efficiency. However, the environment is competitive, with OTC being a key source of competition



# One of the most **diversified product offerings**



# Diversified investor base across different markets

Equities Market  
RUB trn

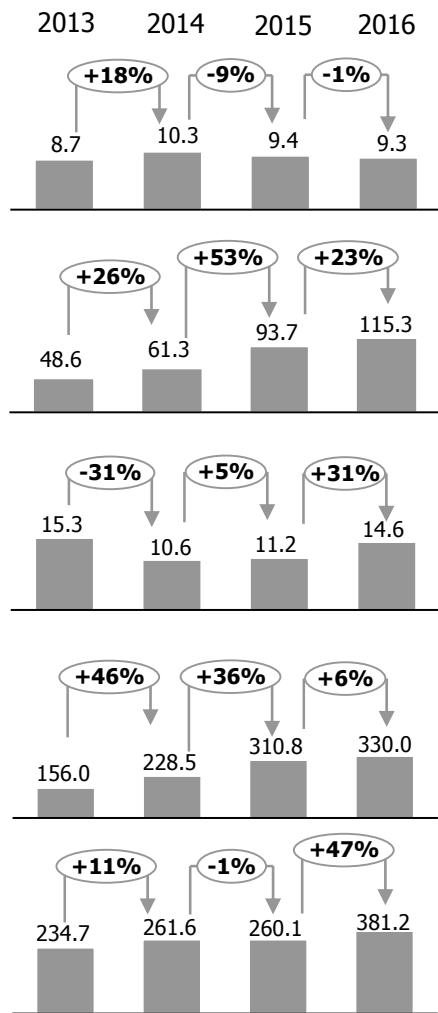
Derivatives Market  
RUB trn

Fixed Income Market  
RUB trn

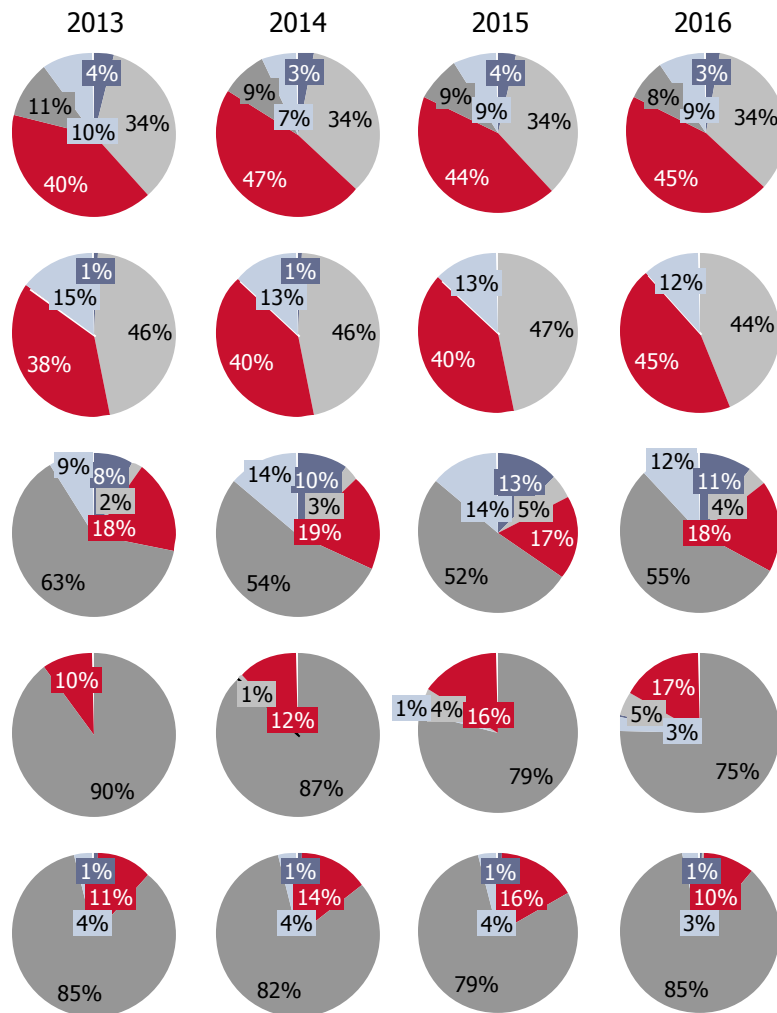
FX Market  
RUB trn

Money Market<sup>1</sup>  
RUB trn

### Trading volumes



### Volume breakdown by investor types



Source: Moscow Exchange data  
 1 Trading volumes including REPO with collateral management. Investor structure based on on-exchange REPO trading volumes only

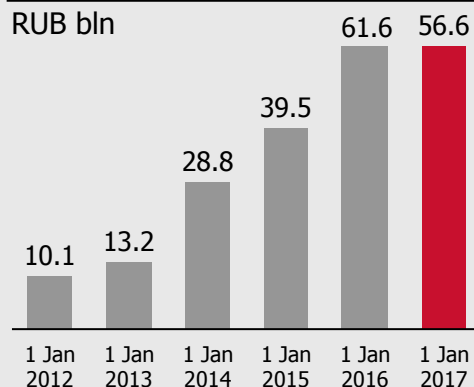
- Local funds
- Local banks and brokers prop trading
- Local retail investors
- Local corporates
- Foreign investors

# Robust post-trade infrastructure

Central Counterparty (CCP) and Central Securities Depository (CSD)

## CLEARING

### National Clearing Centre (NCC) proprietary funds (capital)<sup>1</sup>



### CCP cleared value based on ADTV (12m2016)

RUB bln

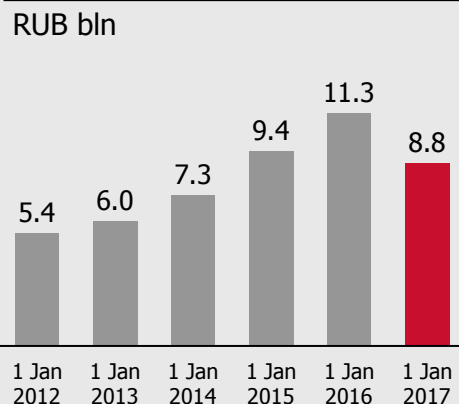
FX	1309
REPO with CCP	699
Derivatives	457
Fixed income	58
Equities	37
Commodities	1

### Comments

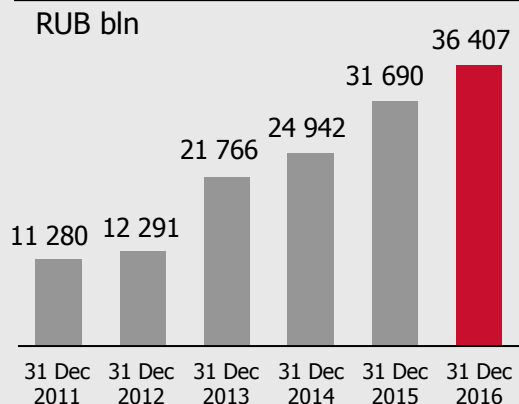
- Well-capitalized NCC acts as CCP for all asset classes.
- Solid risk management has ensured smooth operations amid high volatility
- The only qualified CCP in Russia. The status was granted by the CBR in 2013
- BBB local currency rating from Fitch – one notch higher than Russia's sovereign rating

## SETTLEMENT & DEPOSITORY

### National Settlement Depository (NSD) proprietary capital



### Assets on deposit<sup>2</sup>



### Comments

- NSD is the Central Securities Depository in Russia
- Safekeeping and settlement services
- Collateral management services for REPO transactions
- Repository for OTC trades
- Links to Euroclear and Clearstream for Russian bonds and equities
- AA- rating from Thomas Murray<sup>3</sup>

Source: Moscow Exchange

<sup>1</sup> Figures in accordance with Russian Accounting Standards as reported to and disclosed by the CBR on a monthly basis. Figures from the end of 2015 onwards include skin in the game and other deductions in accordance with the regulation of CCPs by the CBR

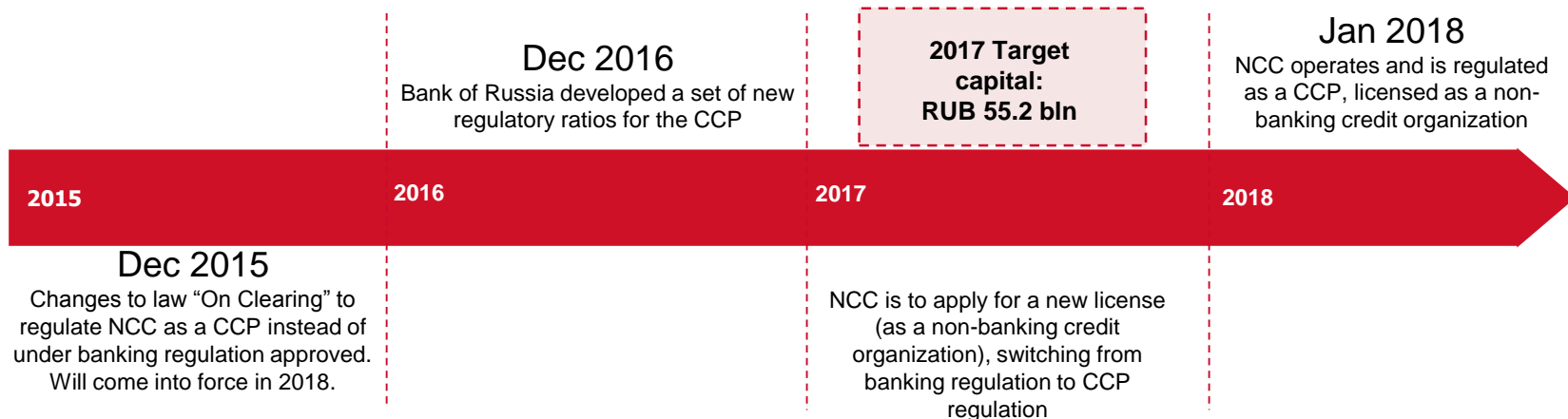
<sup>2</sup> Assets in deposit based on Company operational data

<sup>3</sup> Thomas Murray is the leading global agency for depository services



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# From 2018 NCC will be regulated as a clearing organization and a CCP




<b>Capital adequacy</b>	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
<b>Adequacy of total resources</b>	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
<b>Adequacy of initial margin</b>	Price fluctuations of each asset shall not exceed the initial margin amount in more than 99% of cases of price changes
<b>Liquidity ratio</b>	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
<b>Collateral concentration</b>	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%



# Supporting fintech initiatives to develop the retail investor base

GENERATION 

 FINOPOLIS 2016

**MOEX** is an industry partner of the **Finance & Banking Technologies** track of the largest accelerator for technology start-ups in Russia and Eastern Europe. The track is organized by the Bank of Russia and combines projects in the area of financial technologies, services and e-commerce. The best projects selected via a multi-stage assessment will receive intensive development as well as opportunities to attract major new investment.

**MOEX** is the general partner of the **Forum of Innovative Financial Technologies** (Finopolis), the largest fintech forum in Russia organized by the Bank of Russia to spur the introduction of innovation technologies in the financial sector. At a MOEX roundtable five start-ups presented services in robo-advising, financial marketplaces, access interfaces and crypto-security.

**MOEX** launched the first annual **“Innovations in Investing”** contest among professional market participants and independent developers to support and develop products and services complimentary to MOEX technologies:

Selected contest participants:



**RIGHT**

- ✓ Automated stock and bond trading app
- ✓ Robo-advising with online recommendations driven by fundamental analysis
- ✓ Personal approach based on the client's risk profile



- ✓ Technology for aggregating decentralized forecasts of financial markets to drive trades and investment decisions
- ✓ A joint contest with MOEX proved that aggregated forecasts of unprofessional traders can achieve an annual yield of more than 40%



**SIMPLE INVEST**

- ✓ An easy way to start investing
- ✓ Personalization of the investment process
- ✓ Gamification to learn and strengthen investment skills
- ✓ Link to the client's bank card



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# E-voting via Blockchain successfully tested at NSD

## Blockchain: E-voting for bondholders

### E-voting for bondholders

Prototype version successfully tested in 2016

**Open source code**

**80**  
transactions per second

**Pilot version**  
to be launched in 2017

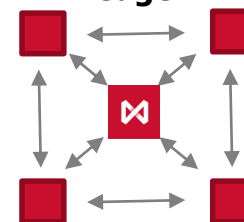
**Bondholder**



Set of voting instructions and digital signature

Verification

**Distributed Ledger**



### Changing the environment of the financial market...

- ✓ Participation in the development of unified standards for e-voting based on distributed ledger technology in BRICS
- ✓ Membership in **Hyperledger**, a leading consortium aimed at developing and promoting blockchain technology, as well as the working group of the Bank of Russia, and the **Post-Trade Distributed Ledger (PTDL) Group**, an initiative of 37 member financial institutions aiming to determine how distributed ledger technology can best benefit the post-trade industry.
- ✓ Support of hackathons and sponsorship of **FinTech Pilotbed**, a blockchain start-up accelerator

### ...while studying areas of potential implementation

1. Issuance and trading of commercial bonds
2. Trading repository
3. Mutual investment funds
4. KYC, AML



**1** Business overview



Corporate governance and dividends

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Market position and competitive strategy

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Financial track record













**5**

FY and 4Q 2016 update



# Best-in-class corporate governance standards

- ✓ Independent directors represent 50% of the 2016-2017 Board vs. a minimum threshold of 20%<sup>1</sup>. Five of the six Supervisory Board Commissions are chaired by independent directors
- ✓ MOEX was a pioneer to adopt the new criteria of Director Independence aligned with the new Corporate Governance Code
- ✓ Alexei Kudrin, a well-known and respected financial expert globally who was acknowledged as the best Minister of Finance in 2004 ("The Banker") and 2010 ("Euromoney"), serves as Board Chairman
- ✓ 11 out of 12 Board members are non-executive, with CEO Alexander Afanasiev the only executive Director

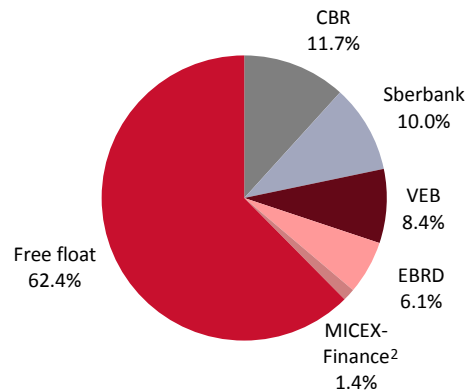
	Board members	Strategy Planning	Audit	Nomination and Remuneration	Budget	Technical Policy <sup>2</sup>	Risk Management
	<b>Alexey Kudrin - Chairman</b> Chairman of the Board at the Centre for Strategic Research						
	<b>Andrey Golikov - Deputy Chairman</b> Deputy Chairman of the Supervisory Board at Moscow Exchange	✓			Chair		
	<b>Alexander Afanasiev</b> CEO, Chairman of the Executive Board at Moscow Exchange						
	<b>Sean Glodek</b> Senior Advisor at MC RDIF, LLC	✓			✓		✓
	<b>Valery Goreglyad</b> Chief Auditor at Bank of Russia				✓		✓
	<b>Bella Zlatkis</b> Deputy Chairman of the Executive Board at Sberbank of Russia						
	<b>Yuan Wang</b> Head of Training and Education Department at China Development Bank	✓					
	<b>Maria Gordon</b> Independent Director at Alrosa		✓	✓			
	<b>Yuriy Denisov</b> Chairman of the Supervisory Board at NCC Clearing Bank	✓		✓			Chair
	<b>Anatoly Karachinsky</b> President, IBS Group					Chair	
	<b>Duncan Paterson</b> Independent Consultant	✓	Chair				
	<b>Rainer Riess</b> Director General at Federation of European Securities Exchanges (FESE)	Chair	✓	Chair			

\* Independent directors

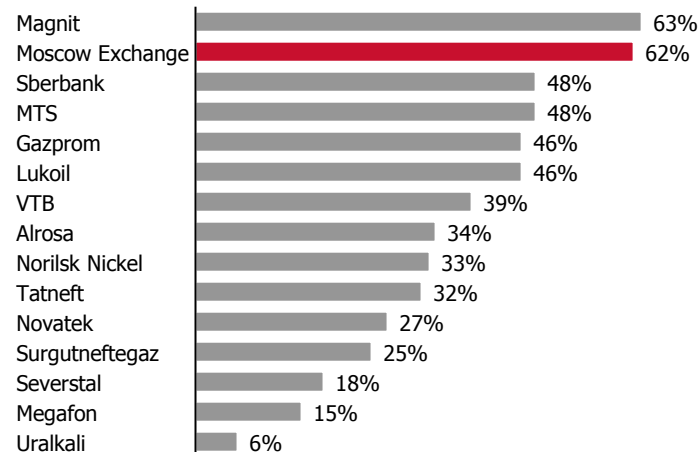
# Dispersed ownership with one of the **highest free-floats** in Russia

## Dispersed ownership with no controlling shareholder...

as of May 16, 2016<sup>1</sup>

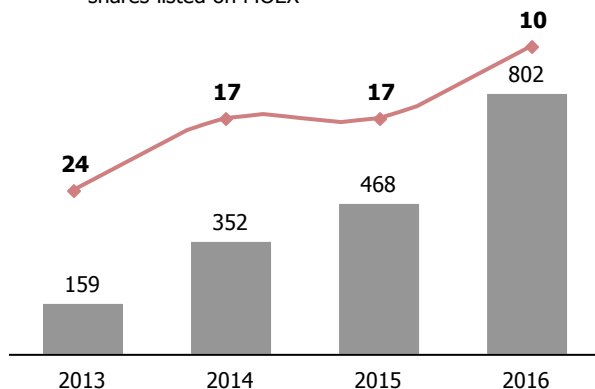


## ...and one of the highest free-floats in Russia<sup>3</sup>



## Growing liquidity of MOEX shares<sup>4</sup>

RUB mln — Rank among the most liquid shares listed on MOEX<sup>5</sup> — Average daily trading volume

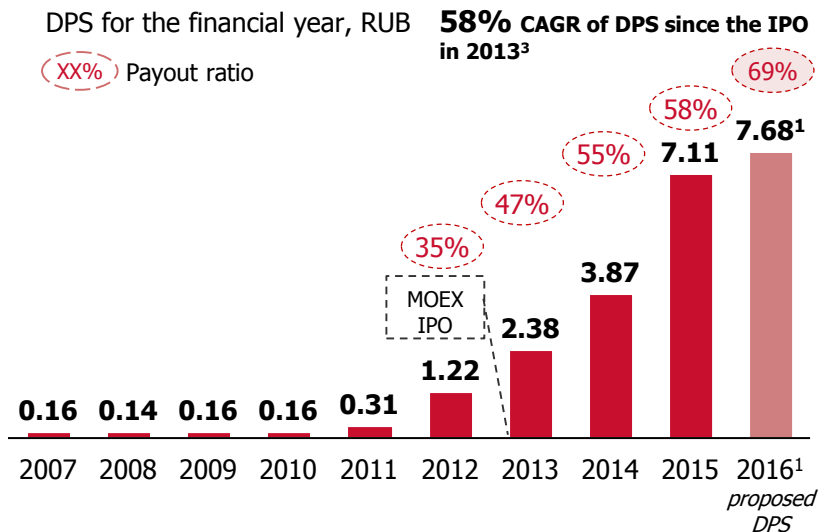


## Striving for transparency

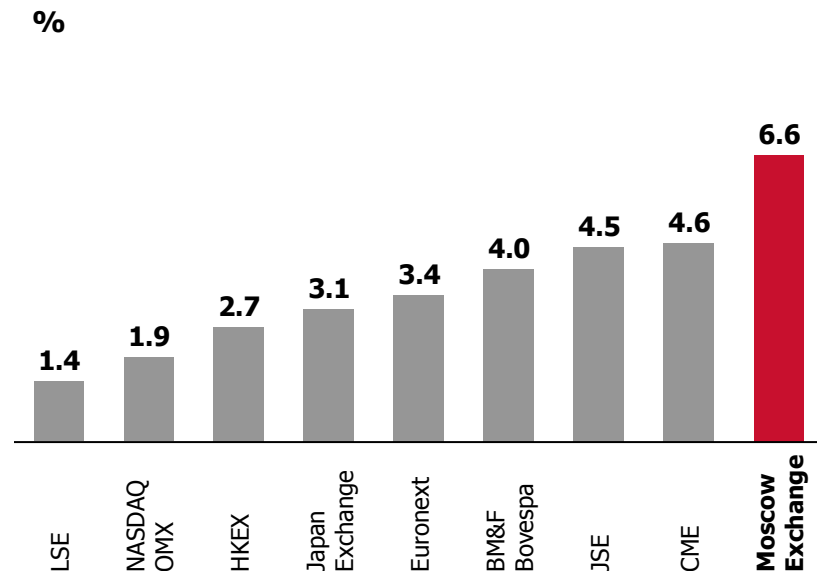
- **Voluntary disclosures** and regular updates of investor materials, including monthly trading results
- Annual **MOEX Forums** in Moscow, New York, London and Shanghai have become a well-know venue to maintain a dialogue with international market participants
- **Robust investor relations program:**
  - ✓ 349 investor meetings in 2016
  - ✓ IR activities in Russia, the UK, Europe and the US to maintain dialogue with overseas investors
  - ✓ IR awards in Russia in 2014, 2015 and 2016

# Recommended 2016 payout of 69.3%

## History of dividend growth



## Dividend yields of MOEX and exchange peers, 2017E<sup>2</sup>



## Comments

- A dividend policy approved in September 2015 sets 55% of net profit as the minimum payout.
- On 2 March 2017 the Supervisory Board of Moscow Exchange recommended the AGM to pay out a dividend of RUB 7.68 per share, or 69.3% of 2016 IFRS net profit. The AGM will vote on 2016 dividend on 27 April 2017.
- MOEX has increased DPS for six consecutive years<sup>3</sup>.



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**2** Corporate governance and dividends



Market position and competitive strategy

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# Leading positions in a global context

## 2<sup>nd</sup> largest exchange in fixed income<sup>1</sup>

Rank	Exchange	Country	Trading vol. (USD bln)	Incl. REPOs
1	BME	Spain	6 875	✓
<b>2</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>3 764</b>	<b>✓</b>
3	Korea Exchange	Korea	2 843	×
4	LSE Group	UK	1 976	×
5	Johannesburg SE	South Africa	1 850	✓
6	Nasdaq OMX	USA	1 712	✓
7	Oslo Borse	Norway	713	✓
8	Bolsa de Valores de Colombia	Colombia	417	×
9	Shanghai SE	China	398	×
10	Taipei Exchange	Taiwan	268	×

## 3<sup>rd</sup> largest exchange in derivatives<sup>2</sup>

Rank	Exchange	Country	Contracts traded (mln)
1	CME Group	USA	3 942
2	NSE India	India	2 135
<b>3</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>1 963</b>
4	Shanghai Futures Exchange	China	1 681
5	Deutsche Boerse	Germany	1 592
6	Dalian Commodity Exchange	China	1 537
7	BM&FBOVESPA	Brazil	1 358
8	CBOE	USA	1 124
9	Nasdaq OMX	USA	998
10	Zhengzhou Commodity Exchange	China	901

## Among top 25 exchanges by equity trading volumes globally<sup>3</sup>

Rank	Exchange	Country	Mkt Cap (USD bln)	Securities listed	Trading vol. (USD bln)
1	ICE&NYSE	USA	19 573	2 307	17 318
2	Nasdaq OMX	USA	8 965	3 835	11 781
3	Shenzhen SE	China	3 217	1 870	11 606
4	Shanghai SE	China	4 104	1 182	7 492
5	Japan Exchange	Japan	5 061	3 541	5 618
6	LSE Group	UK	3 496	2 590	2 286
7	Euronext	EU	3 493	1 051	1 766
8	Korea Exchange	Korea	1 282	2 059	1 673
9	HKEx	Hong Kong	3 193	1 973	1 350
10	Deutsche Boerse	Germany	1 732	592	1 306
...	...	...	...	...	...
<b>24</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>636</b>	<b>245</b>	<b>129</b>

## 12<sup>th</sup> publically listed exchange by Mkt Cap<sup>4</sup>

Rank	Exchange	Country	Mkt Cap (USD bln)
1	CME	USA	39.9
2	ICE&NYSE	USA	34.2
3	HKEx	Hong Kong	29.2
4	Deutsche Boerse	Germany	16.7
5	LSE Group	UK	13.5
6	Nasdaq OMX	USA	11.2
7	BM&FBovespa	Brazil	10.4
8	Japan Exchange	Japan	7.6
9	ASX	Australia	7.2
10	CBOE	USA	6.2
11	SGX	Singapore	5.7
<b>12</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>5.1</b>

Source: Moscow Exchange, WFE, Bloomberg, LSE Group (for LSE Group data)

1 Due to different methodologies applied, data on fixed income trading may not be directly comparable among exchanges. Data for 2016

2 Data for 2016

3 Top equity trading exchanges are ranked by trading volume. Ranking without BATS (excluded due to absence of data for market capitalization and number of listed companies). Data for 2016

4 Market capitalization of public exchanges based on Bloomberg data as of 24 January 2017



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# Building on the success of Strategy 2012-2015

## Key initiatives of Strategy 2012-2015 successfully implemented

- ✓ Central Securities Depository (CSD)
- ✓ CCP across all markets
- ✓ T+ settlement cycle
- ✓ DMA across all markets
- ✓ ICSDs access to local infrastructure
- ✓ USD/RUB futures emergence as a flagship derivative contract
- ✓ Crucial regulatory reforms (individual investment accounts, “non-loss” rule elimination for NPFs, revival of pension savings)

- Total trading volume CAGR of ~**18%** in 2012-2014
- Operating profit CAGR of ~**29%** in 2012-2014
- EPS for 2014 up **2.3 times** versus 2011 to RUB 7.2
- Dividend per share up **12.5 times** versus 2011 to RUB 3.87 with a payout ratio of 55% for 2014



# Competitive strategy 2015-2020: key pillars - 1



	Strategy	Drivers and initiatives
<b>Equities</b>	Aggressive growth: development of the equity capital markets	<ul style="list-style-type: none"> <li>✓ Benefits from completed infrastructure, tax and regulatory reforms (T+2, CSD and access of ICSDs, IIA)</li> <li>✓ Growing the retail investor base</li> <li>✓ New listings and IPOs, repatriation of capital</li> <li>✓ Further simplification of access for international investors</li> </ul>
<b>Fixed income</b>	Aggressive growth: bonds to substitute bank loans as a funding tool	<ul style="list-style-type: none"> <li>✓ Development of short-term and ultra short-term bonds, securitization</li> <li>✓ Simplification of access to the bond market for corporates</li> <li>✓ Growth through expansion of the retail investor base</li> <li>✓ Benefits from completed reforms (shift to T+1 for OFZs, improved tariffs, large block auctions, ICSDs)</li> </ul>
<b>Derivatives</b>	Aggressive growth through new asset classes and tariff reform	<ul style="list-style-type: none"> <li>✓ Tariff reform to increase effective fees</li> <li>✓ Development of commodities derivatives</li> <li>✓ Approval of CFTC registration application in order to permit access for US market participants</li> <li>✓ Options market development</li> <li>✓ Synergies with spot markets via a unified collateral pool</li> <li>✓ OTC derivatives clearing</li> </ul>
<b>Market data</b>	Aggressive growth through enhancement of the product offering	<ul style="list-style-type: none"> <li>✓ Expansion of market data sales</li> <li>✓ Improvement of data dissemination: development of a real-time and non-real time data platform</li> <li>✓ Development of the corporate information center</li> <li>✓ Development of the pricing center</li> <li>✓ Expansion of the repository offering</li> </ul>

# Competitive strategy 2015-2020: key pillars - 2

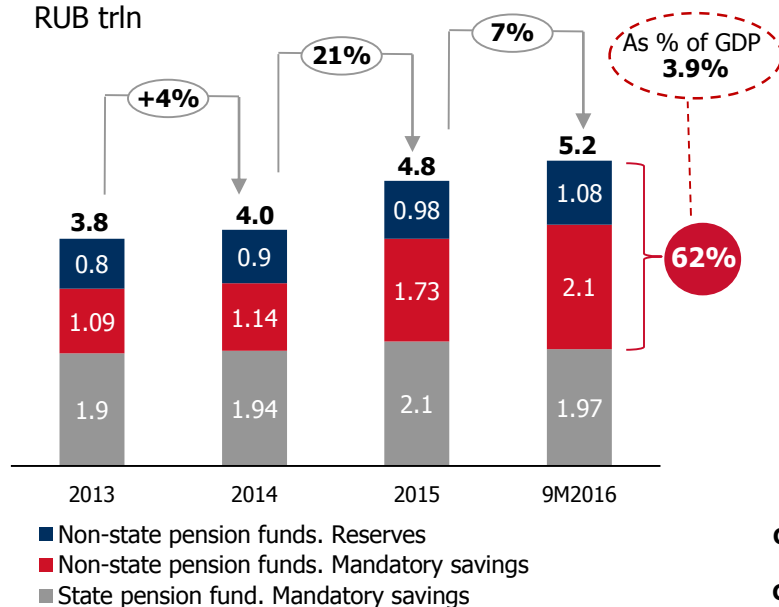


	Strategy	Drivers and initiatives
<b>FX Market</b>	Market share protection through further market expansion	<ul style="list-style-type: none"> <li>✓ Development of international clearing membership</li> <li>✓ Direct access of corporates to the market</li> <li>✓ Development of SMA services</li> </ul>
<b>Money Market</b>	Market share protection through further product development	<ul style="list-style-type: none"> <li>✓ Further enhancement of the existing product portfolio – collateral management services, REPO with General collateral pool</li> <li>✓ Direct access of corporates to REPO with CCP in “net creditor” mode</li> </ul>
<b>Depository services</b>	Steady growth via development of new services	<ul style="list-style-type: none"> <li>✓ Corporate actions reform</li> <li>✓ Launch of the corporate information center</li> <li>✓ Expansion of the repository offering</li> </ul>
<b>Treasury business</b>	Gradual substitution of NII with F&C income	<ul style="list-style-type: none"> <li>✓ Reduction of NII contribution to revenue through implementation of the single collateral pool as a fee-based service, including risk netting, cross-margining and portfolio margining</li> </ul>
<b>IT</b>	Ongoing enhancement of IT systems	<ul style="list-style-type: none"> <li>✓ Focus on reliability of hardware</li> <li>✓ Improved processes of software development and installation</li> <li>✓ Corporate accelerator to foster fintech startups that develop technologies complementary to MOEX’s product offering</li> </ul>

# Local institutional investors: the potential of pension funds

## Pension assets in Russia

RUB trln

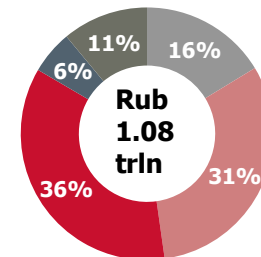
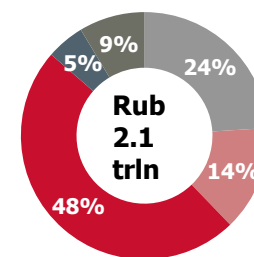
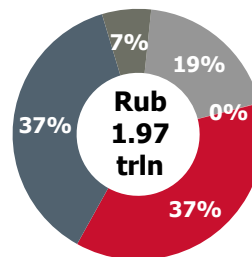


## Pension system asset allocation<sup>1</sup>

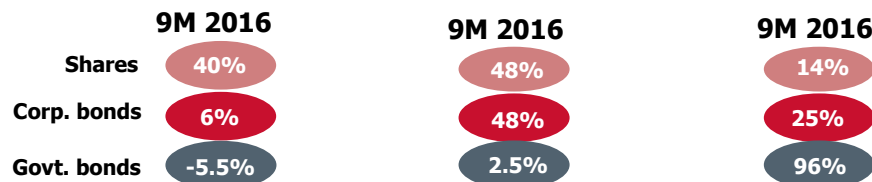
State pension fund

NPFs. Mandatory savings

NPFs. Reserves



■ Cash ■ Shares ■ Corporate bonds ■ Government bonds ■ Other



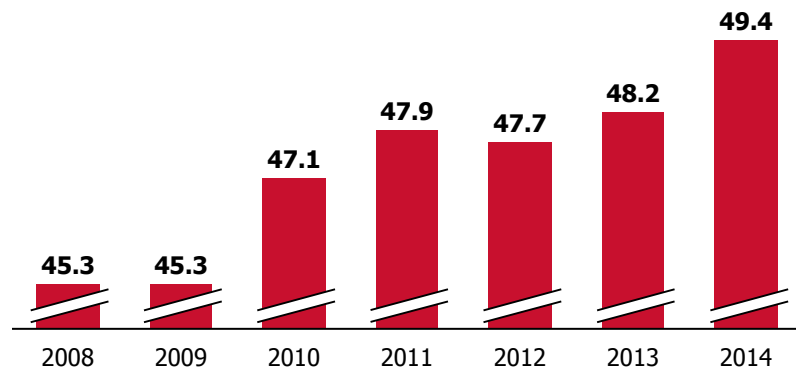
## Key highlights of the pension reform

- Bank of Russia became a regulator of the pension system in 2013
- Adopted changes in non-state pension fund regulation:
  - "One year non-loss" rule was abolished
  - Investment horizon of NPFs was extended to 5 years
  - Customers are now incentivized to stay with the fund for not less than 5 years
  - Guarantee fund mechanism (similar to the Deposit Insurance Agency in the banking system)
  - New allocations to NPFs remained under moratorium until 2019, which reduced growth potential and left room for organic growth only

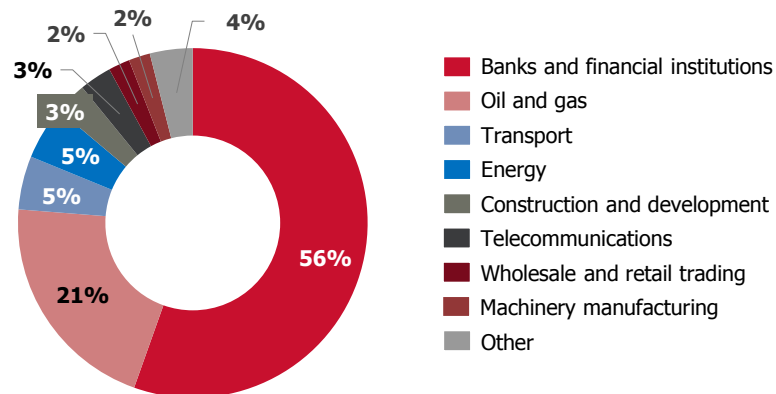
# Bond market – why we are strong believers

## Ageing fixed assets require long-term investments

Accumulated depreciation as % of fixed assets



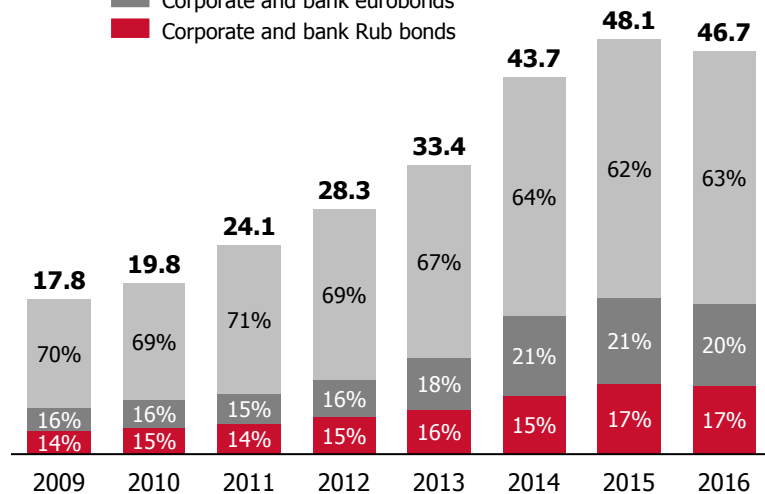
## Breakdown of bond issuers<sup>1</sup> by industry



## Corporate bonds substitute bank loans

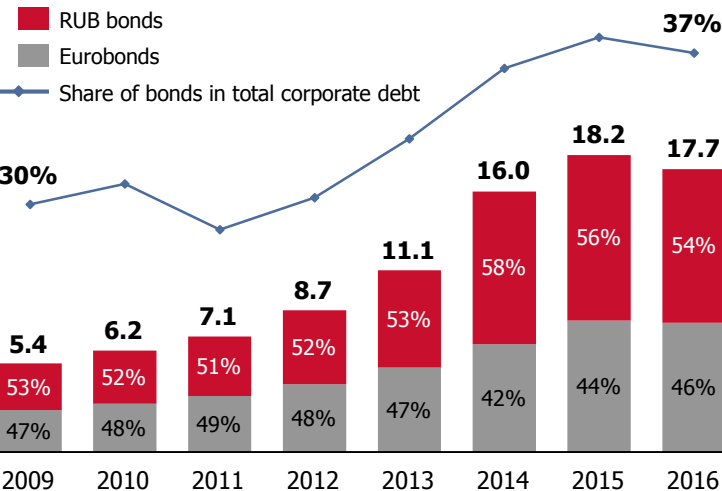
RUB trln

- Bank loans to corporates, excl. interbank
- Corporate and bank eurobonds
- Corporate and bank Rub bonds



## Local bonds vs Eurobonds of Russian corporates<sup>2</sup>

RUB trln



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Source: Bank of Russia, Cbonds, Rosstat, Moscow Exchange  
 1 Bonds issued in 2015-2016 traded on MOEX's Bond Market  
 2 Including banks and financial institutions

# Retail money: aiming to grow the culture of investing

## Retail investor savings

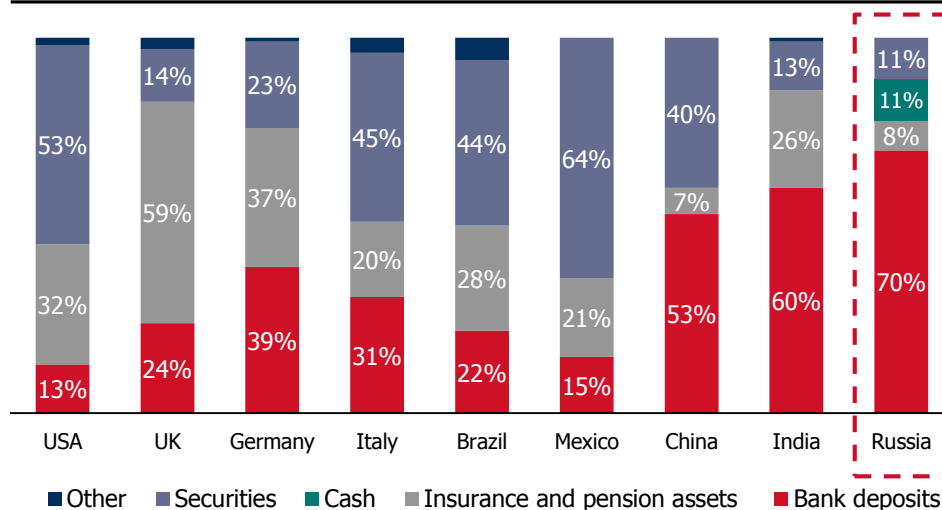
Rub **23**trln

with banks...

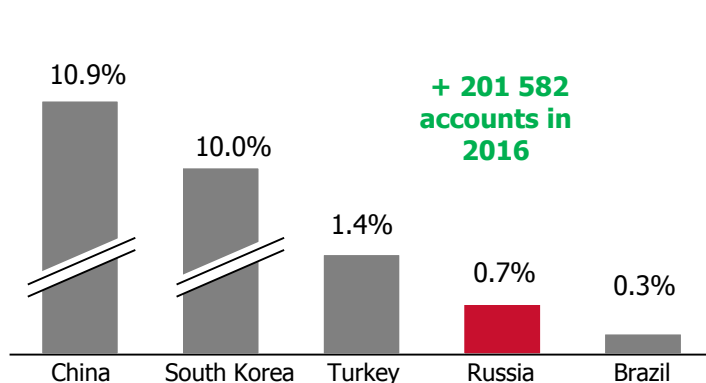
Rub **4**trln

in cash ...vs Rub **33.8** trln of the Russian equity market's market cap

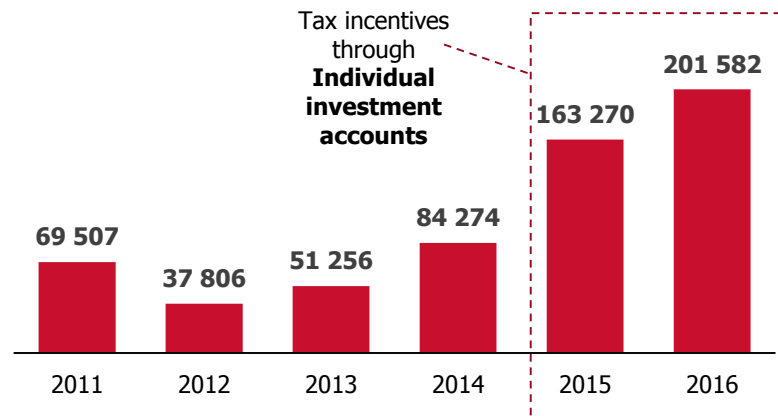
## Russians hold majority of savings in banks and cash<sup>1</sup>



## Population's participation in the securities market<sup>2</sup>, %

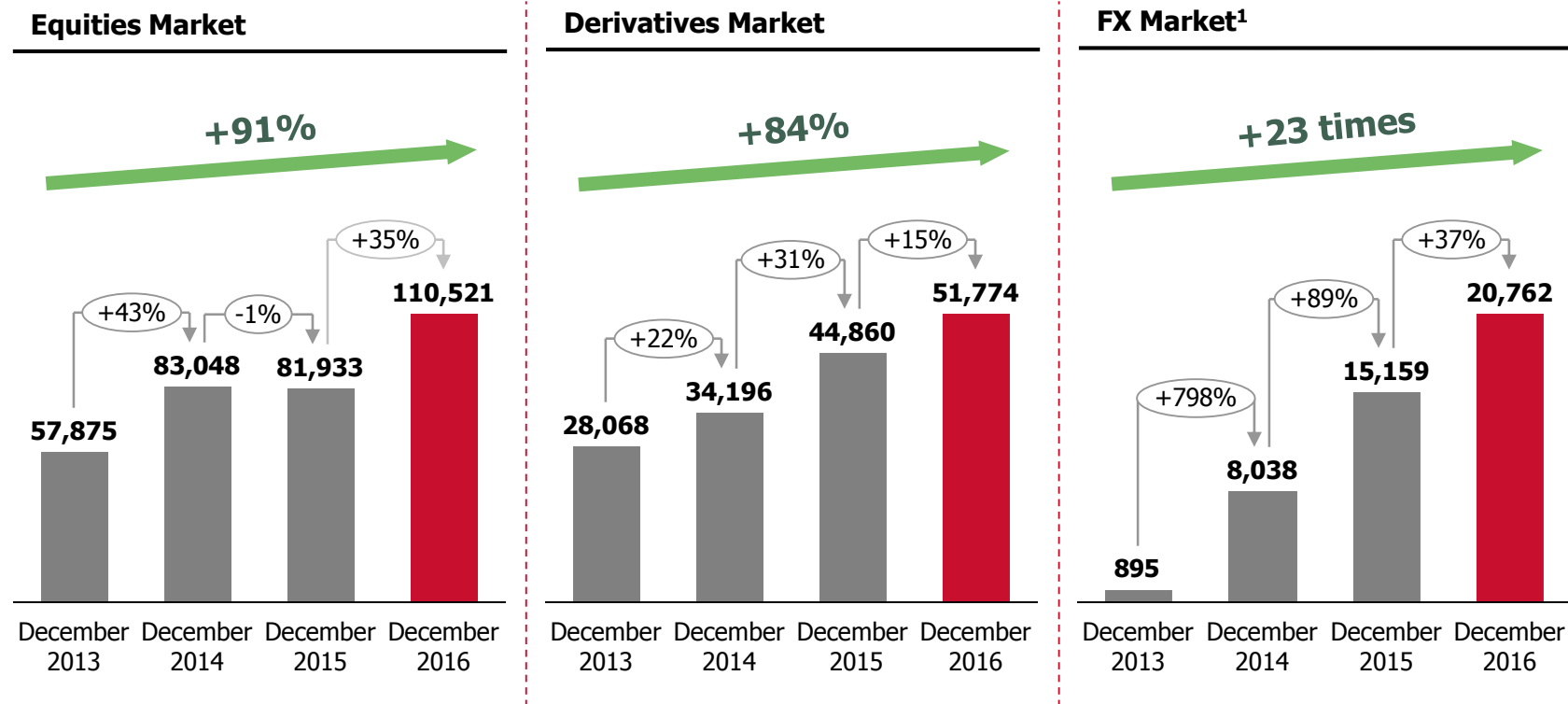


## Newly opened retail accounts



# Retail clients: a growing segment of the Russian financial market

## Number of active retail client accounts



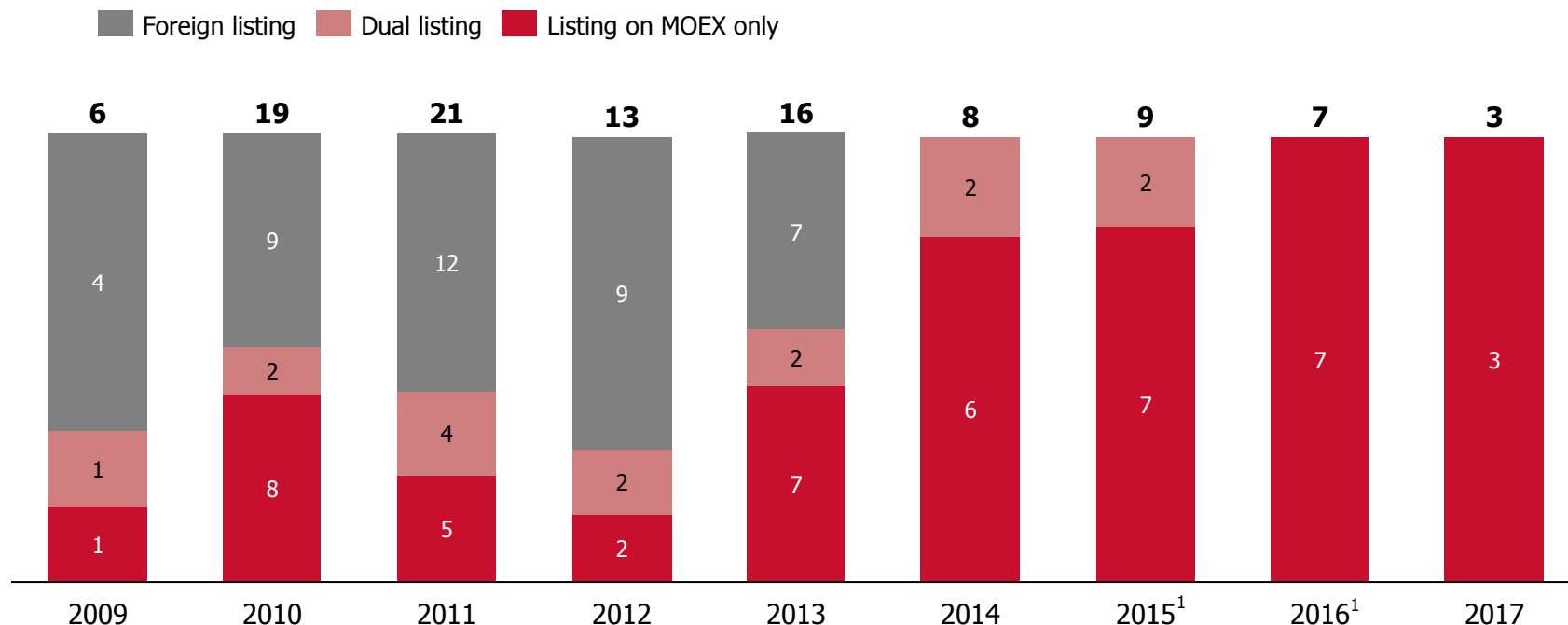
### Recent regulatory changes:

- Introduction of **individual investment accounts** for private investors since 2015: more than 200,000 accounts opened as of March 2016
- **Tax breaks** on capital gains on securities held for more than 3 years (up to RUB 9 mln for securities purchased after 1 Jan 2014)
- Retail investors allowed to **remotely open a brokerage account**. This simplifies the process for retail investors in Russia's far-flung regions



# Shift towards local capital raisings

## IPOs/SPOs/listings by Russian issuers



Despite a challenging macro environment that impacted Russian equity capital markets:

- In 2016, 7 Russian issuers held IPOs/SPOs that raised a total of ~RUB 135 bln, including Alrosa's privatisation transaction in July 2016
- Nearly all ECM transactions in 2015-2016 were held exclusively on MOEX
- During the first two months of 2017 the IPO of Detsky Mir and the SPOs of TMK and Phosagro were held on MOEX, raising more than RUB 46 bln.





# 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:

 <p><b>SPO</b> (oil &amp; gas services)</p> <p><b>Date:</b> 3 Feb 2017 <b>Deal size:</b> RUB 10 bln (\$174 mln) <b>Free float:</b> up from 16% to 30%</p>	 <p><b>IPO</b> (retail)</p> <p><b>Date:</b> 8 Feb 2017 <b>Deal size:</b> RUB 21.1 bln (\$356 mln) <b>Free float:</b> 30.55%</p>	 <p><b>SPO</b> (fertilizers)</p> <p><b>Date:</b> 8 Feb 2017 <b>Deal size:</b> RUB 15 bln (\$255 mln) <b>Free float:</b> up from 20% to 25%</p>
---	--	--

# DR holders pay substantial **extra fees** to depositary banks

## Fees paid to depositary bank for DR programs of selected Russian companies

DR program		Depository Service Fee <sup>1</sup> (DSF), USD per DR	Dividend Fee <sup>2</sup> , USD per DR	Dividend Fee as % of dividend amount <sup>3</sup>	DRs cancellations fee, USD per DR
Sberbank	BoNY Mellon	0.005	0.015	12%	0.05
VTB Bank	BoNY Mellon	0.03	0.004	12%	0.05
TMK	BoNY Mellon	0.01	0.015	12%	0.05
RusHydro	BoNY Mellon	0.02	0.007	12%	0.05
Surgutneftgaz	BoNY Mellon	0.02	0.011	11%	0.05
MMK	BoNY Mellon	0.02	0.012	8%	0.05
Gazprom	BoNY Mellon	-	0.02	8%	0.05
Norilsk Nickel	BoNY Mellon	-	0.02	6%	0.05
Rostelecom	JP Morgan	0.008	0.03	6%	0.05
Tatneft	BoNY Mellon	0.02	0.02	2%	0.05
Novatek	BoNY Mellon	-	0.02	2%	0.05
Lukoil	BoNY Mellon	-	0.02	1%	0.05
Phosagro	Citi	0.02	-	1%	0.05
AFKS	Deutsche Bank	0.02	-	0%	0.05
NLMK	BoNY Mellon	0.02	-	0%	0.05
Rosneft	JP Morgan	0.004	-	0%	0.05
Lenta	DB	0.03	-	0%	-
Magnit	JP Morgan	0.005	-	0%	-
Megafon	BoNY Mellon	0.03	-	0%	0.05
<b>Average</b>		<b>0.015</b>	<b>0.011</b>	<b>5%</b>	<b>0.05</b>

## Gross DSF and dividend fees calculated for Top-3 international funds holding DRs of Russian companies<sup>4</sup>

Fund A	3 046 782 USD
Fund B	3 776 182 USD
Fund C	3 619 592 USD

## Cost of cancellations all DR in portfolios to local shares for Top-3 funds

Fund A	7 130 574 USD
Fund B	7 386 356 USD
Fund C	3 319 803 USD

- Depository service fee and dividend fee are to be paid by the DR holder to the depositary bank, while there are no such fees for holders of local shares
- Majority of DRs cancellation operations are also charged 0.05 USD per DR

1 Service fees are charged annually, on an arbitrary date. Calculated based on number of DR in a client's account on the record date

2 Dividend fees are charged when dividends are paid

3 As % of dividend amount after tax

4 Calculations based on Thomson Reuters data as of December 2016

Source: BNY Mellon, Deutsche Bank, JP Morgan, Citi, Thomson Reuters

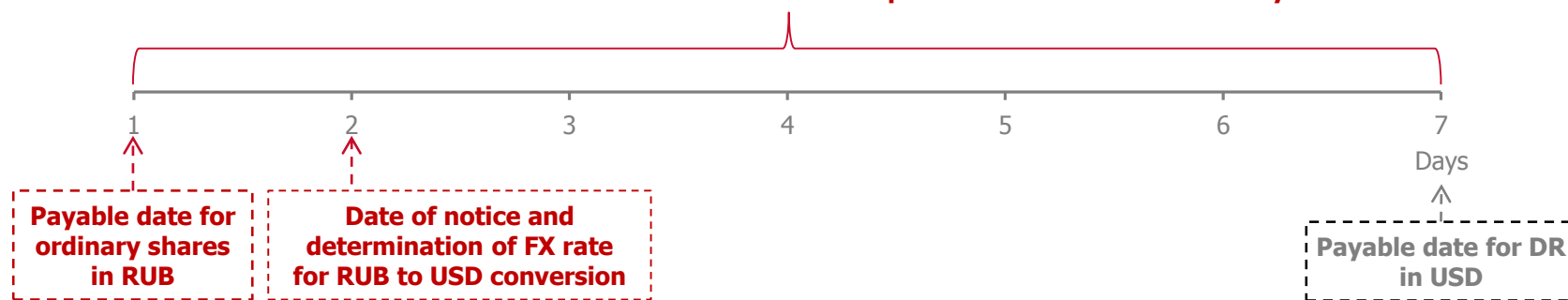
# DR holders incur opportunity costs over a week

## FX rate determination for dividends

- FX rates for conversion of dividends are determined in a nontransparent manner
- According to information from notices for DR holders<sup>3</sup>:
  - Custodian - DR issuer has no obligation to obtain the "best price" for any FX Trade
  - The conversion rate reflects a foreign currency ("FX") transaction ("FX Trade") executed by Custodian - DR issuer as principal counterparty and not as agent, fiduciary or broker

Issuer	Record date	Local Shares		DR		Diff.
		Payable date	FX rate <sup>1</sup>	Payable date	FX rate <sup>2</sup>	
FSK YeES	11-Jul-16	25-Jul-16	65.0	1-Aug-16	66.4	<b>2.2%</b>
Novatek	11-Oct-16	1-Nov-16	63.2	8-Nov-16	63.6	<b>0.8%</b>
Lukoil	12-Jul-16	27-Jul-16	66.0	3-Aug-16	66.5	<b>0.7%</b>
TGK-1	7-Jul-16	26-Jul-16	66.0	2-Aug-16	66.5	<b>0.7%</b>
Tatneft	8-Jul-16	27-Jul-16	66.0	3-Aug-16	66.5	<b>0.7%</b>
TransContainer	20-Sep-16	11-Oct-16	62.4	18-Oct-16	62.8	<b>0.7%</b>
Mosenergo	17-Jun-16	5-Jul-16	64.3	12-Jul-16	64.8	<b>0.6%</b>
Rosneft	27-Jun-16	18-Jul-16	63.1	25-Jul-16	63.5	<b>0.6%</b>

**DR holders received their dividends one week later compared to holders of the ordinary shares**



Source: Moscow Exchange

1 Average weighted USD/RUB FX rate at Moscow Exchange

2 FX rate for dividends conversion

3 Public available information on the Custodian - DR issuer web site



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# Corporate actions reform in Russia: From paper to leading market technology

From July 1<sup>st</sup> 2016

New approach to corporate actions processing

## LOWER COSTS

- ✓ Power of attorney no longer necessary for corporate actions
- ✓ Zero mailing costs, no hard copies needed for investors to participate in corporate actions
- ✓ CSD's service pricing based on principles of covering costs, simplicity and fairness

## LOWER RISKS

- ✓ Creation of a single source of reliable and comprehensive information on corporate actions at the Russian CSD
- ✓ Unified electronic ISO-based standards for corporate actions
- ✓ Control over assets and settlement oversight by the Russian CSD

## BETTER CORPORATE GOVERNANCE

- ✓ Direct electronic access to AGMs for investors
- ✓ Standardized electronic meeting convocations, nomination of directors, participation in corporate actions through custodians
- ✓ No more special requirements for holders' incorporation set by issuers



# Improved corporate governance as a result of listing modernization

## Completion of the 1<sup>st</sup> 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 1<sup>st</sup> 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



**1** Business overview

**2** Corporate governance and dividends

**3** Market position and competitive strategy



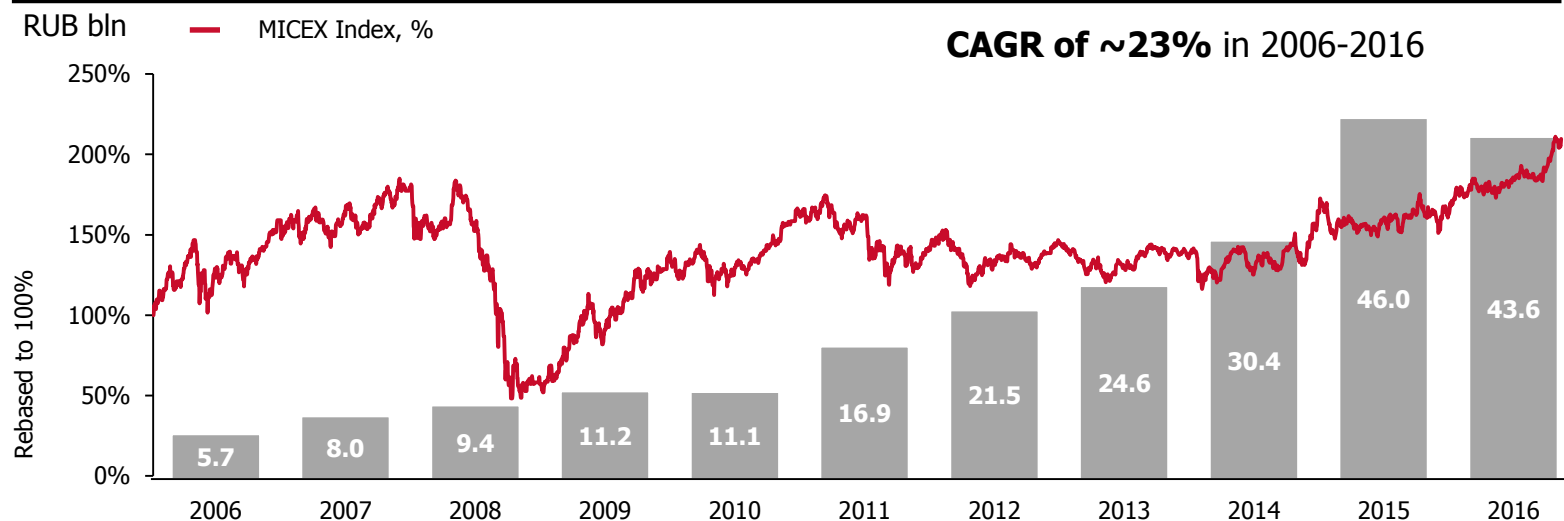
Financial track record

**5** FY and 4Q 2016 update



# MOEX business model continues to deliver

## Operating income<sup>1</sup>

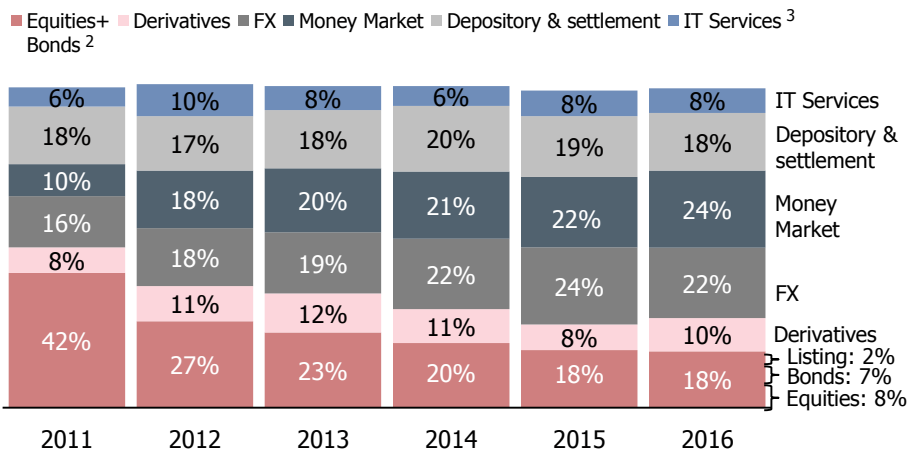


## Key highlights

**Unique business model** allows MOEX to increase operating income regardless of the stage of the economic cycle:

- **Business lines** are diversified, while markets have limited growth correlation
- **Growth drivers differ** across markets and products

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



According to Moscow Exchange Consolidated Financial Statements for the relevant period

1 RTS data is consolidated from 29 June 2011

2 Includes other income related to securities market

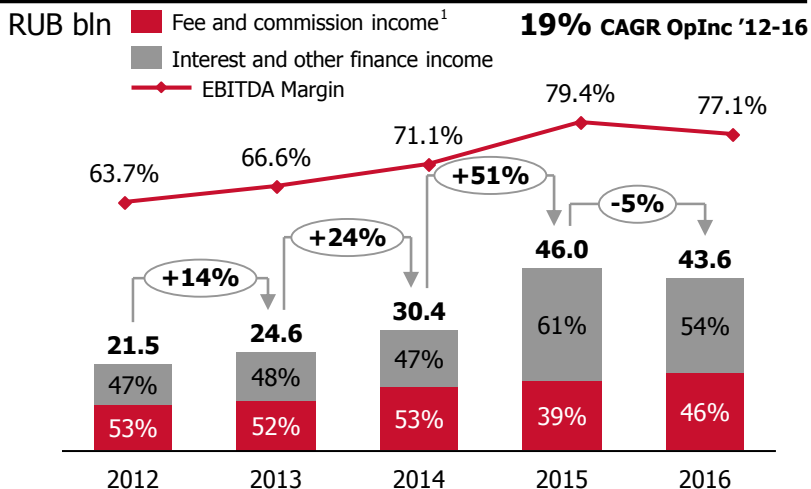
3 Includes income from information services, sale of software and other fee & commission income



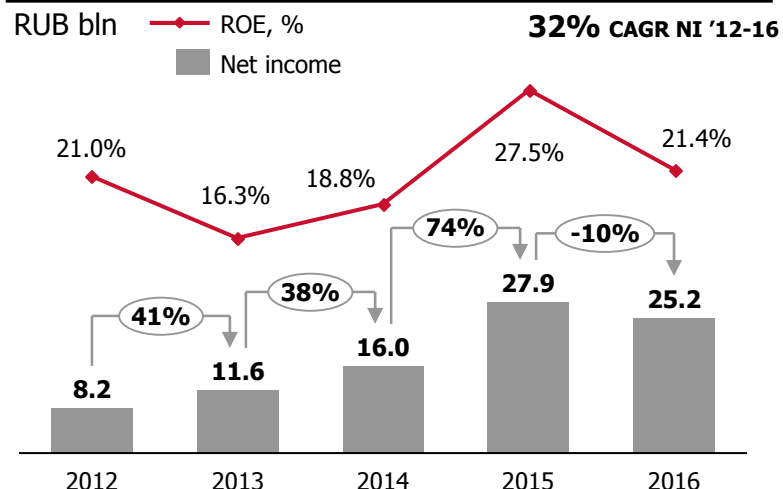
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# Strong financial performance

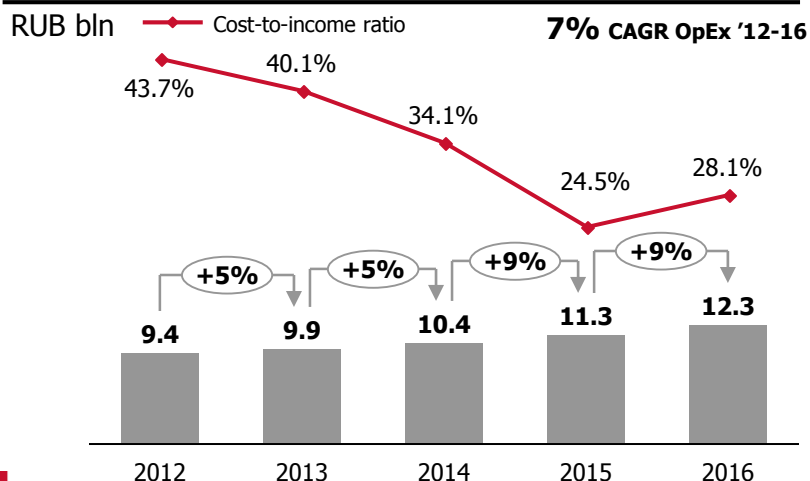
## Growing fees support the EBITDA margin



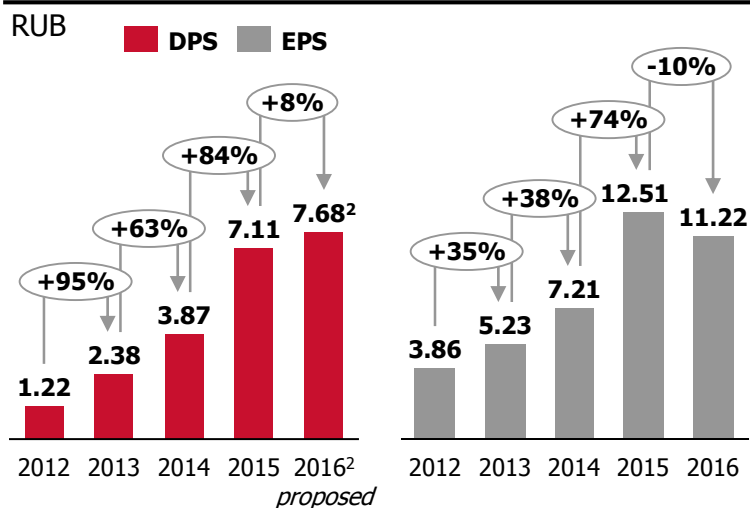
## Strong ROE generation



## Tight control over expenses



## DPS growth outperforming EPS

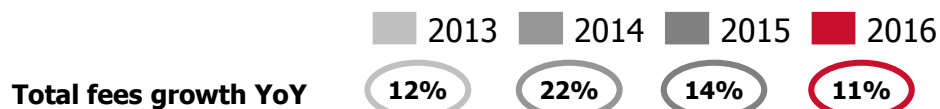
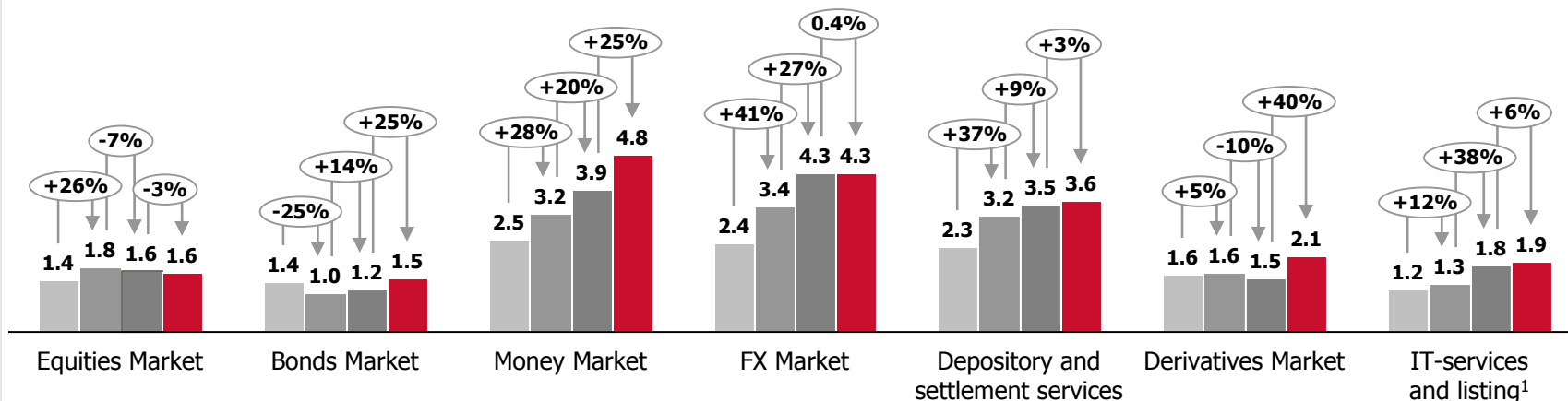




# Well-diversified and growing fee income

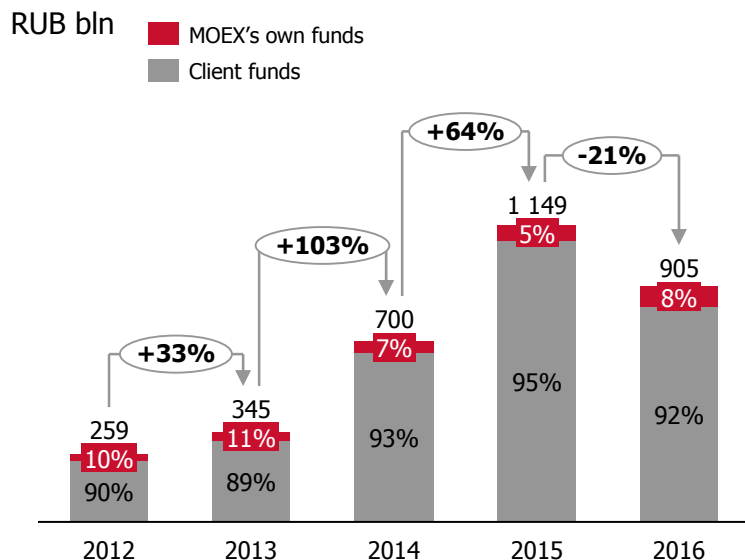
## Fee & commission income

RUB bln

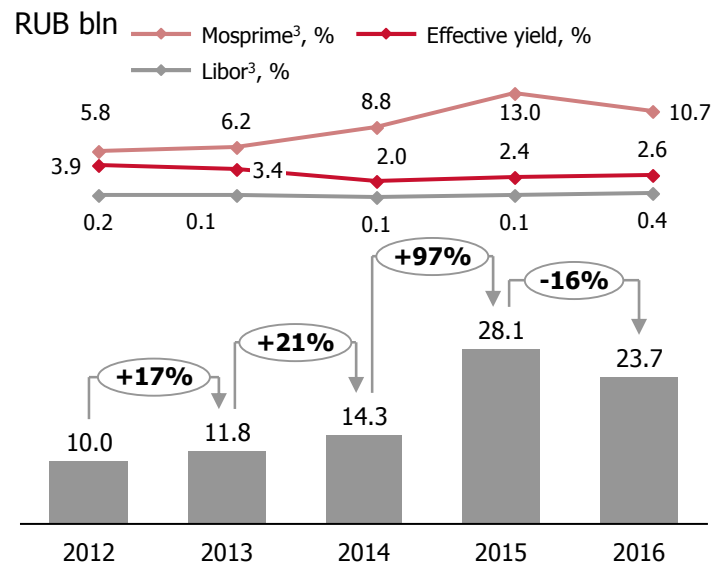


# Interest and finance income

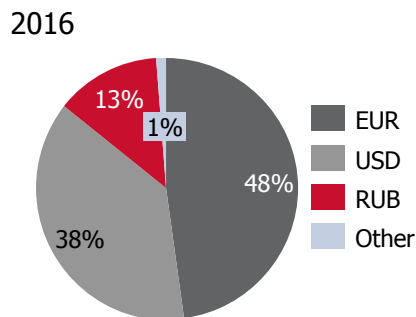
## Investment portfolio<sup>1</sup>



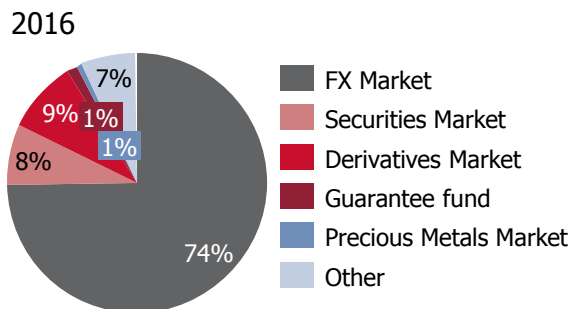
## Interest income<sup>2</sup>



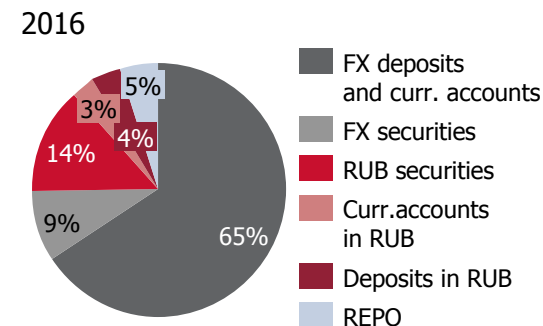
## Client funds by currency



## Client funds by source



## Investment portfolio by type of asset



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

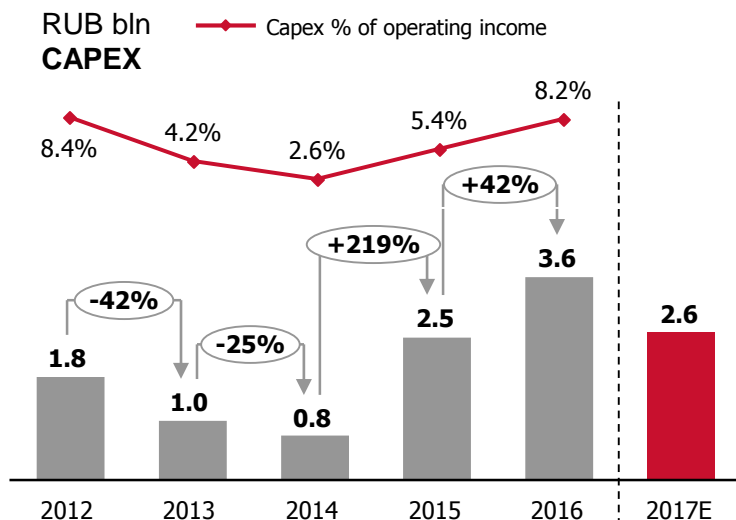
1 Based on average daily investment portfolio for the period according to management accounts

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

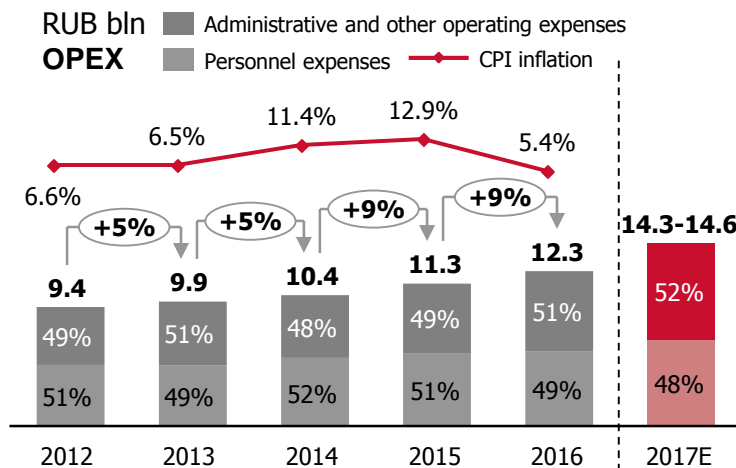
# CAPEX and OPEX 2017

## 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



**1** Business overview

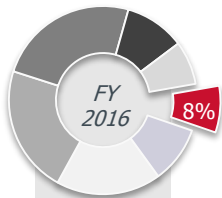
**2** Corporate governance and dividends

**3** Market position and competitive strategy

**4** Financial track record

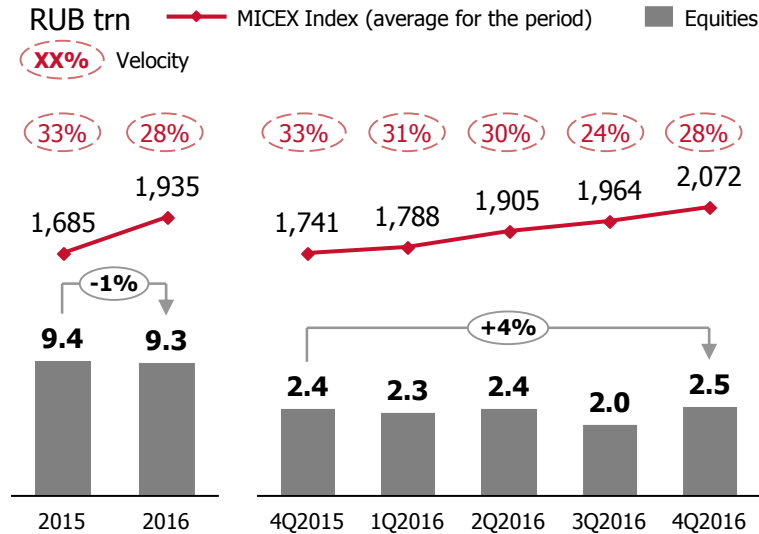


FY and 4Q 2016 update

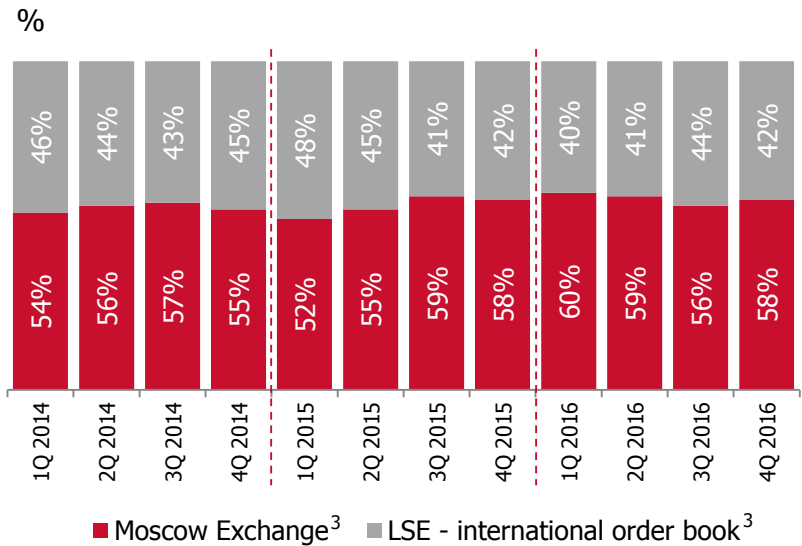


# Equities Market: lower volatility, growing index

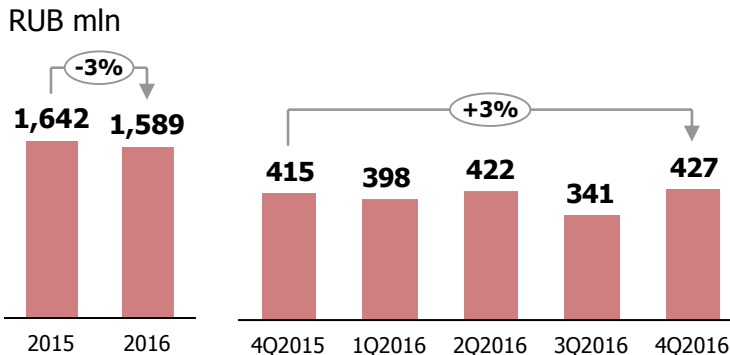
## Trading volumes<sup>1</sup>



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



## Fee & commission income



## Comments

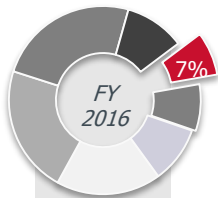
- Average velocity of the Equities Market was 28% in 2016. Trading volumes decreased by 1% YoY while the average market capitalization increased by 17%.
- Fee and commission income decreased 3%, due to the lower trading volumes.
- MOEX's average market share vs LSE for dual-listed stocks was 58% in 2016.



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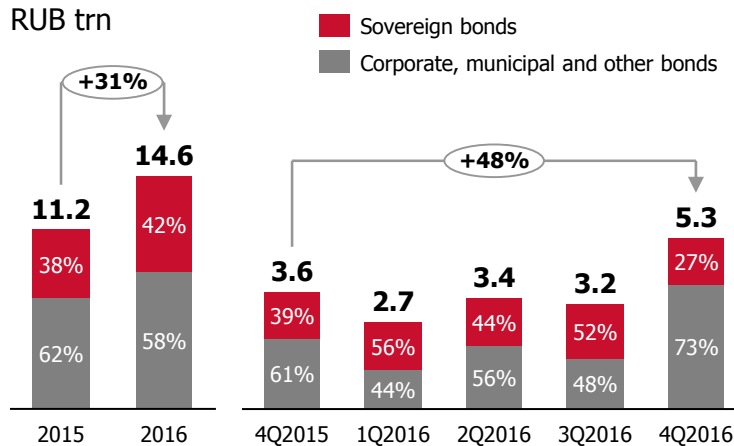
Source: Moscow Exchange operational information and Consolidated Financial Statements, Liquidmetrix, WFE

- 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

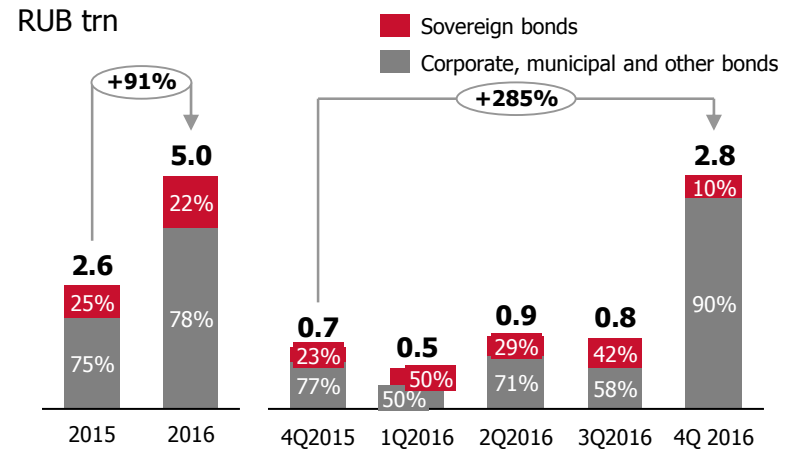


# Fixed Income Market: growth in fees driven by new primary placements

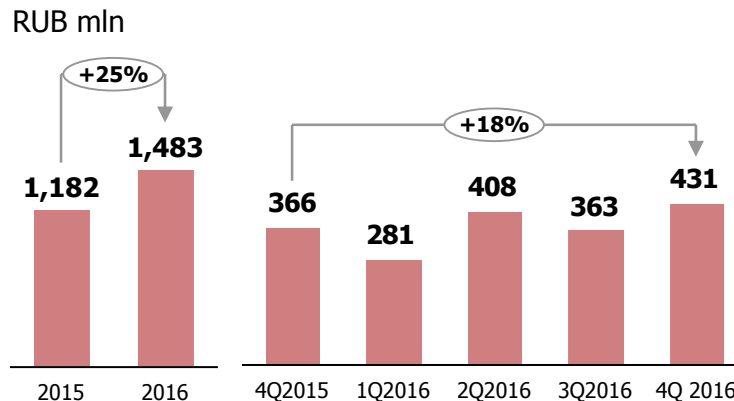
## Trading volumes<sup>1</sup>



## Primary market

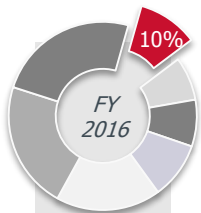


## Fee & commission income



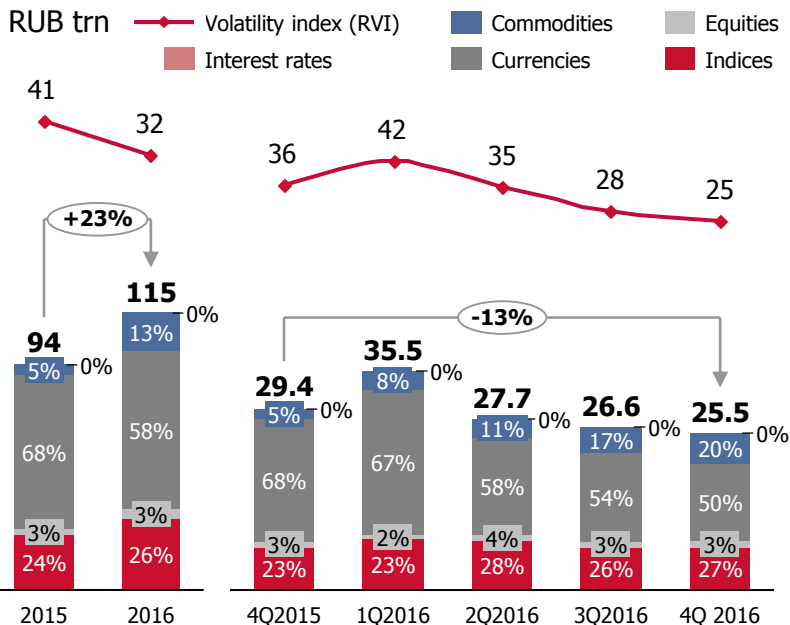
## Comments

- 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.

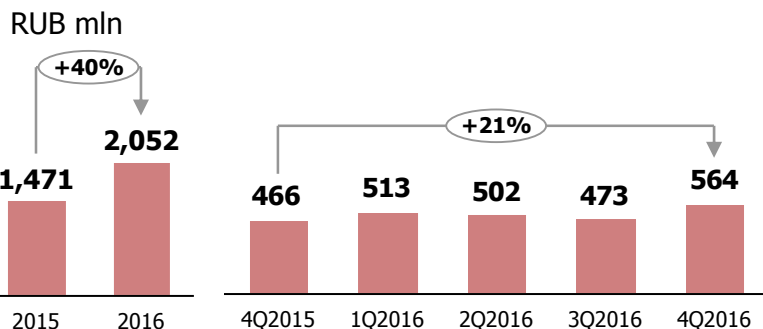


# Derivatives Market: commodities continue standout performance

## Trading volumes

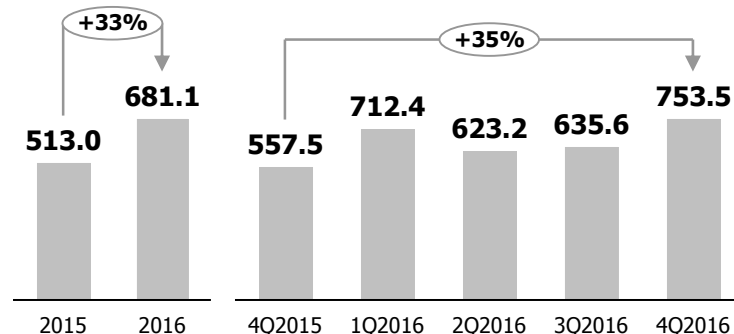


## Fee & commission income



## Open interest

RUB bn, daily average

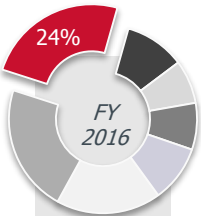


## Comments

- 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 3<sup>rd</sup> 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.

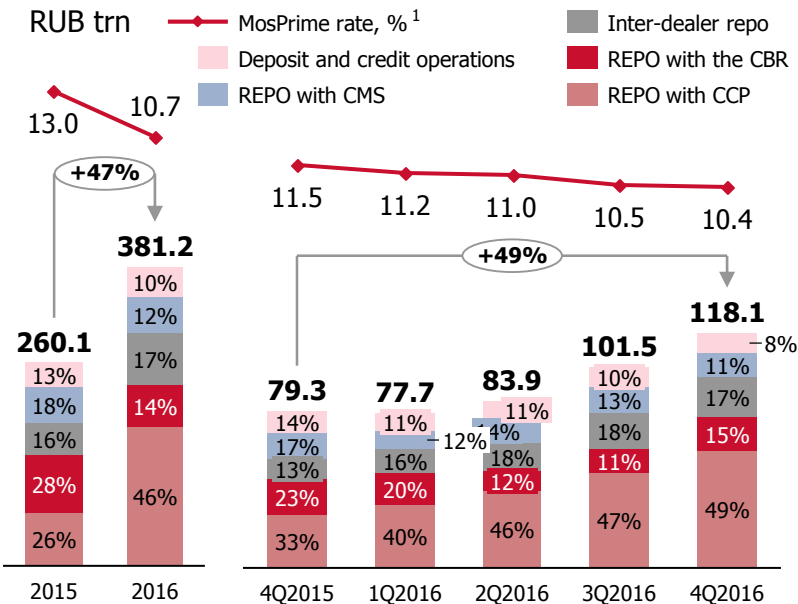


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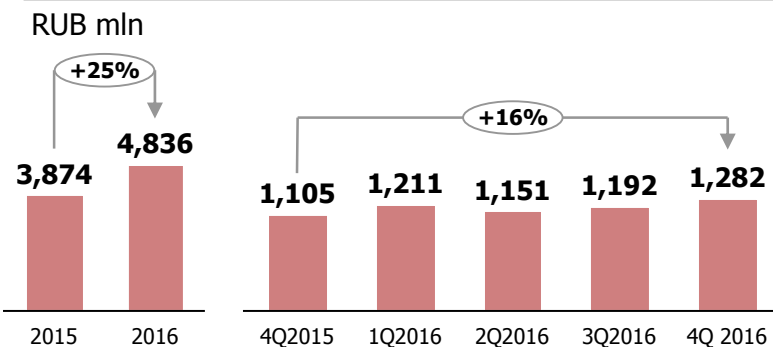


# Money Market: demand for on-exchange services continues to grow

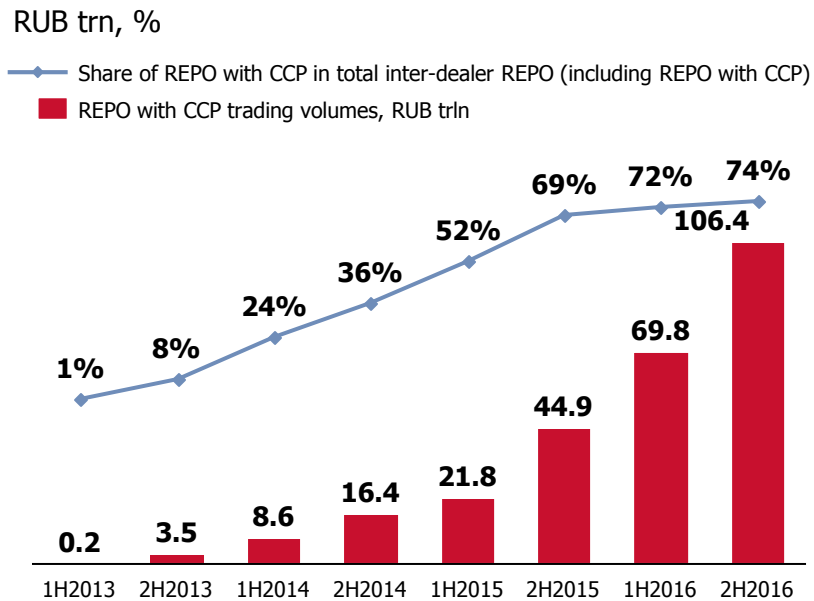
## Trading volumes



## Fee & commission income



## Trading volumes for REPO with CCP



## Comments

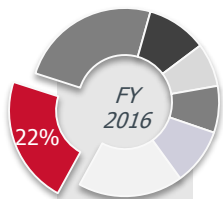
- Fee and commission income increased by 25% YoY. The biggest contributor to growth was repo with the CCP (trading volumes up 2.6x YoY).
- Average REPO maturity declined from 6.6 days to 3.4 days due to lower demand for longer term REPO. However, average maturity of REPO with the CCP grew from 1.8 to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



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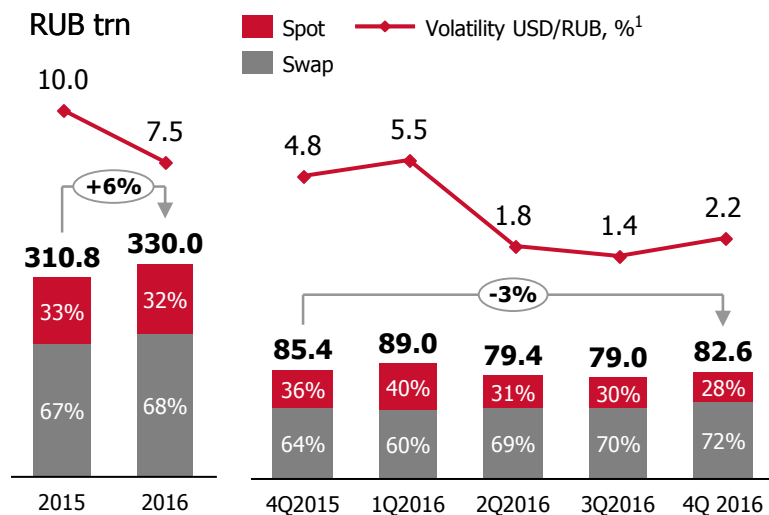
Source: Moscow Exchange operational information and Consolidated Financial Statements  
1 Overnight rate, average for the period



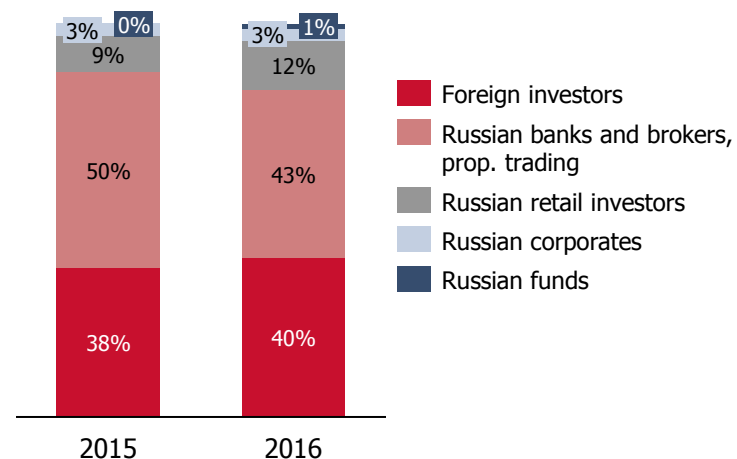


# FX Market: normalization of volatility

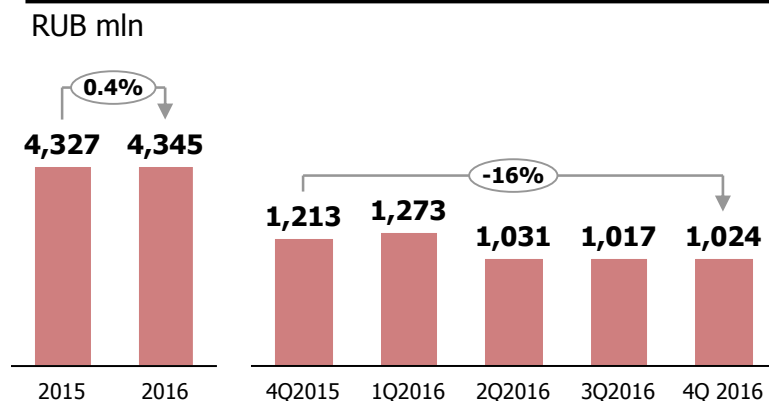
## Trading volumes



## Share in MOEX spot FX market by investor type

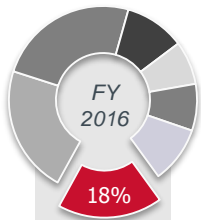


## Fee & commission income



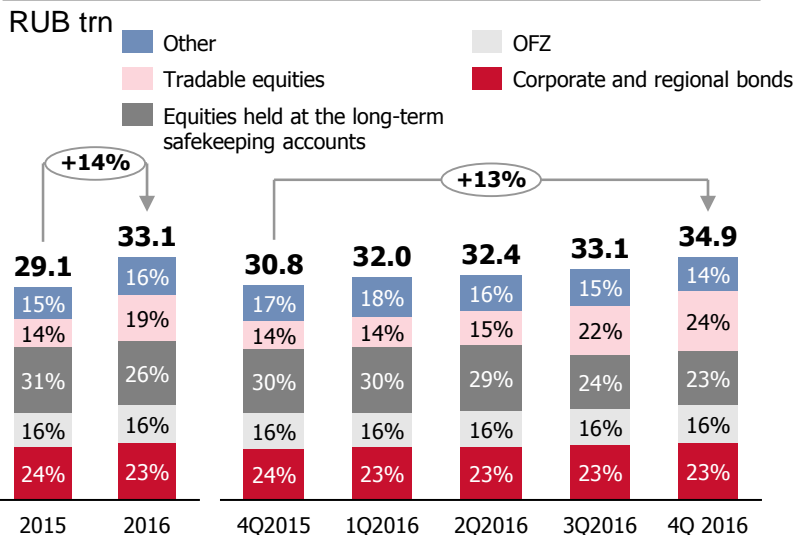
## Comments

- 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.



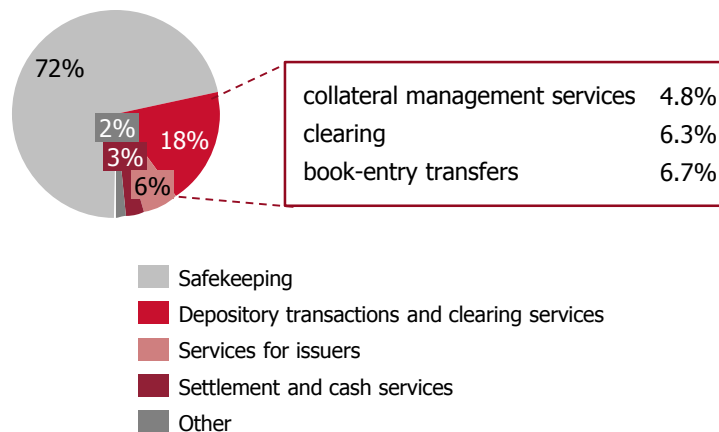
# Depository and settlement: continued growth of assets under custody

## Assets on deposit (average for the period)



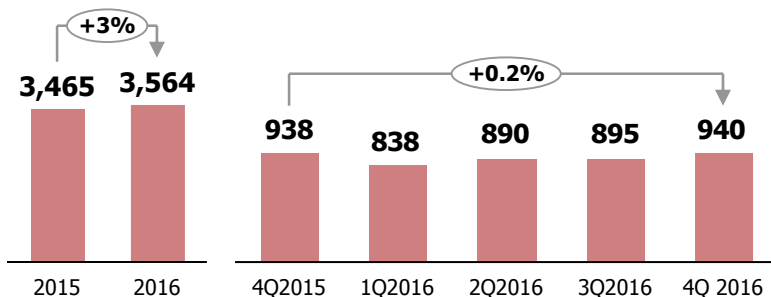
## Fee & commission income breakdown

2016



## Fee & commission income

RUB mln

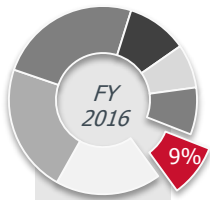


## Comments

- 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.



**MOSCOW EXCHANGE**

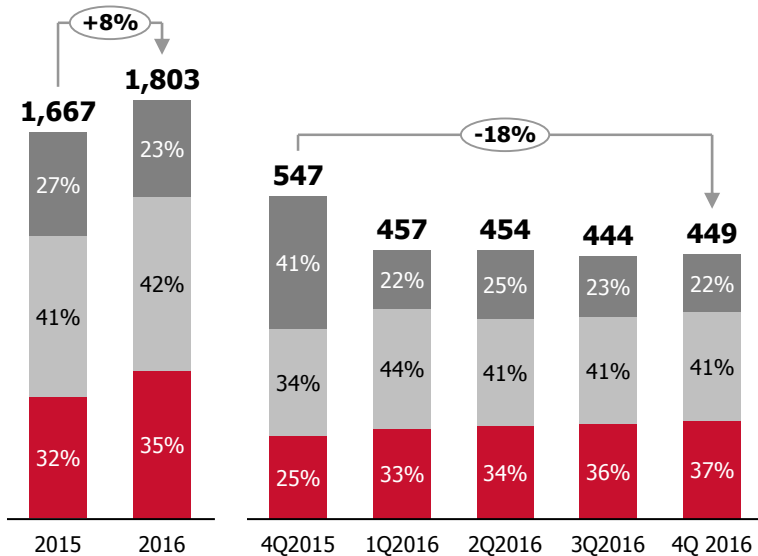


# IT services and listing: growth in fees driven by sales of software and technical services

## IT Services and Listing

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.



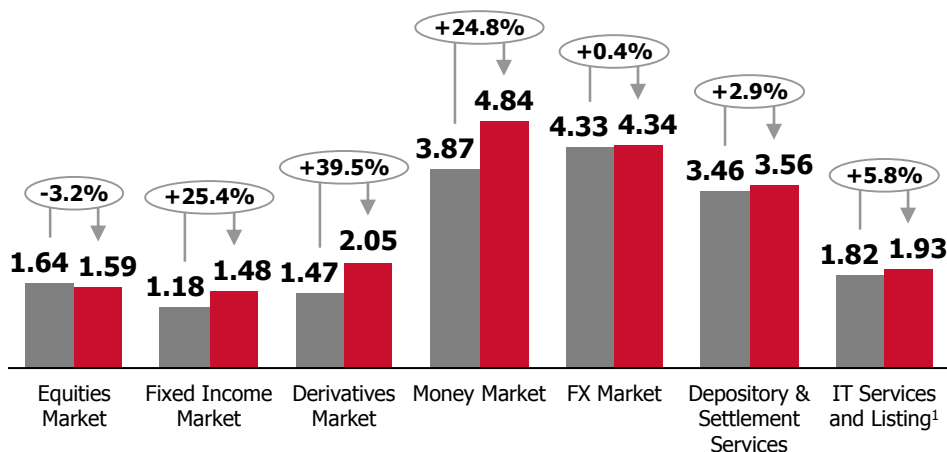
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Source: Consolidated Financial Statements

# Diversified fee & commission income

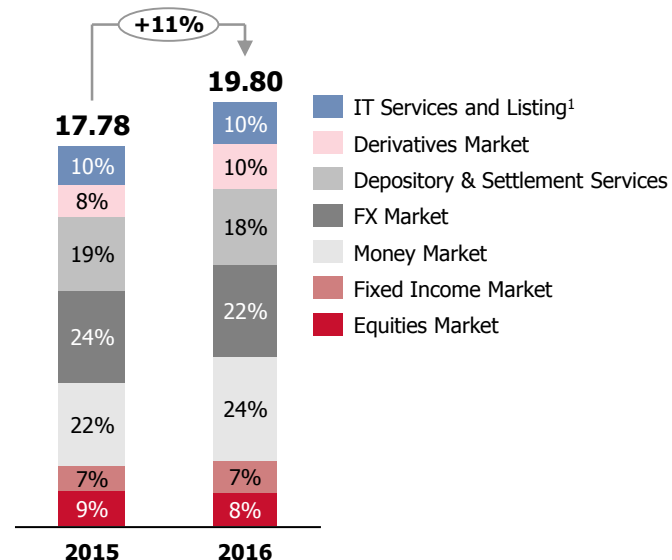
## Fee & commission income performance

RUB bln  2015  
 2016



## Fee & commission income breakdown

RUB bln

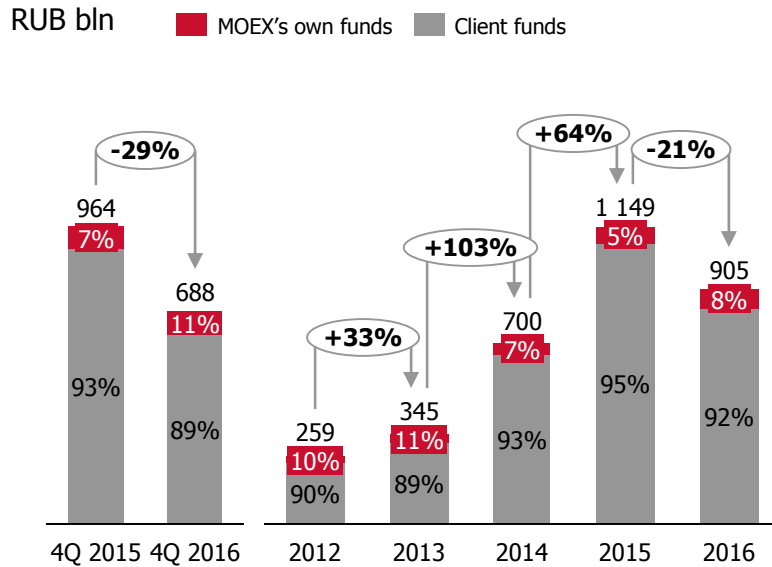


## Key takeaways

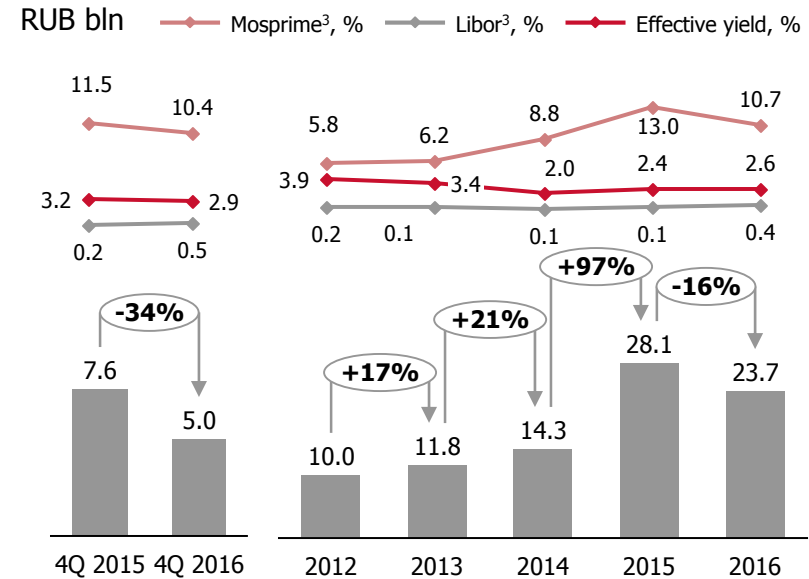
- Fee and commission income increased by 11% YoY to RUB 19.8 bln in 2016, with the Derivatives, Fixed Income and Money Markets showing highest growth rates.
- Fee and commission income remained well-diversified. None of the seven markets contributed more than 25% of total fees and commissions.

# Interest and finance income

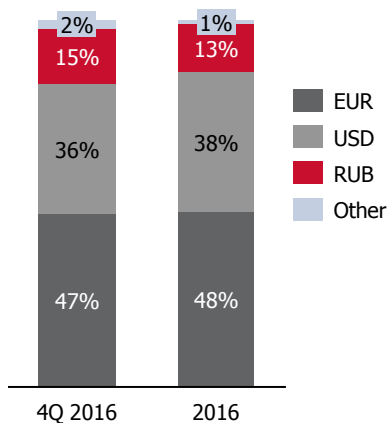
## Investment portfolio<sup>1</sup>



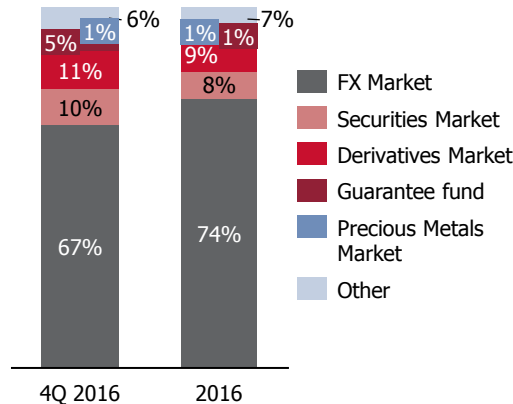
## Interest income<sup>2</sup>



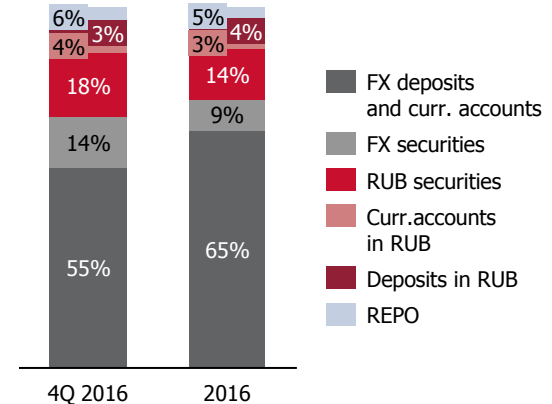
## Client funds by currency



## 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 overnight rate for the period



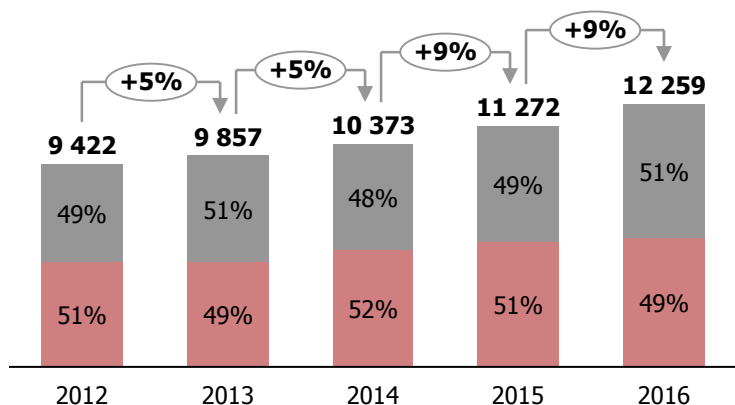
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# Operating expenses

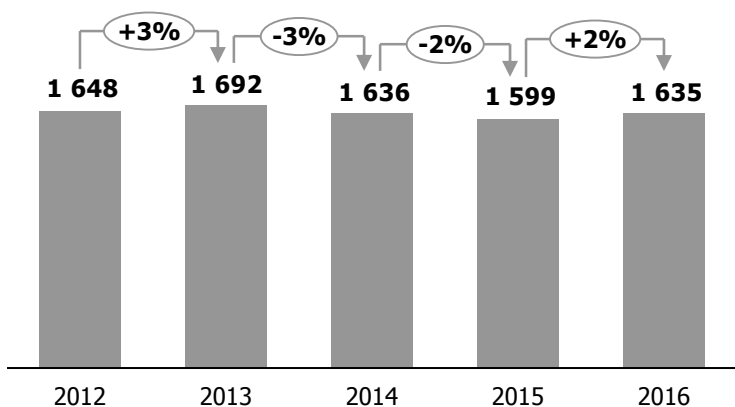
## Operating expenses

RUB mln

■ Administrative and other operating expenses  
■ Personnel expenses



## Headcount



## Major expense items

RUB mln	2015	2016	Change YoY
<b>Personnel expenses</b>	<b>5,783</b>	<b>5,947</b>	<b>3%</b>
<b>Administrative and other operating expenses, including</b>	<b>5,489</b>	<b>6,312</b>	<b>15%</b>
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%
<b>Total</b>	<b>11,272</b>	<b>12,259</b>	<b>9%</b>
<b>Cost income ratio</b>	<b>24.5%</b>	<b>28.1%</b>	<b>3.6 p.p.</b>

## Comments

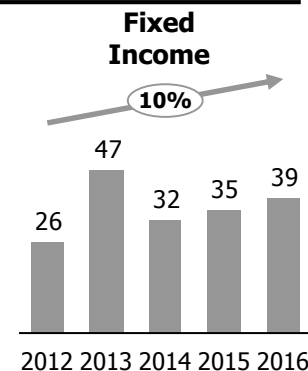
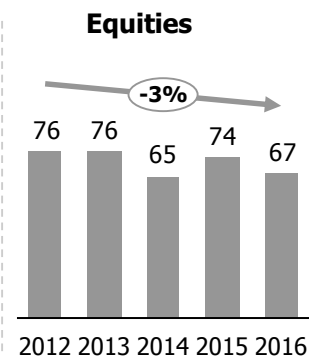
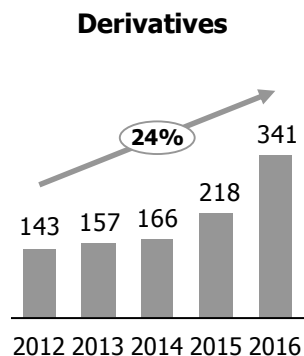
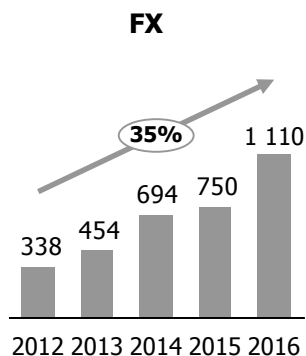
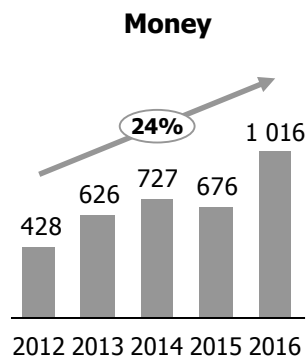
- In 2016 operating expenses grew by 9% YoY, below the FY 2016 guidance, which allowed MOEX to retain a best-in-class cost-to-income ratio.
- Administrative and other expenses increased by 15% YoY. The highest growth items were equipment and IA maintenance and depreciation of property and equipment, 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.



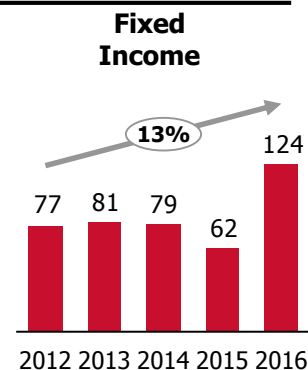
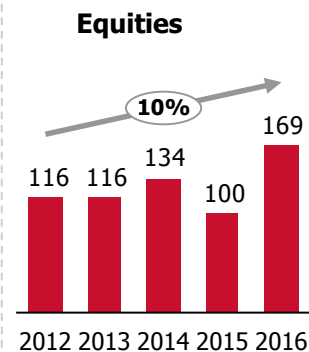
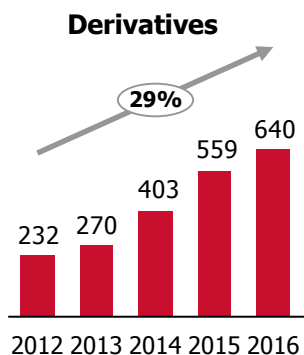
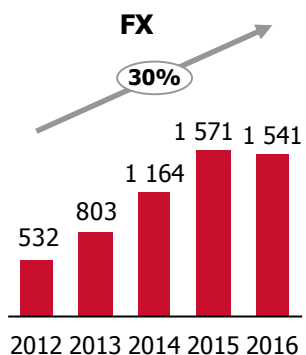
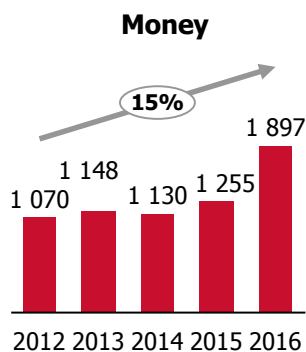
# Appendix

# Trading volumes demonstrate growth in liquid periods as well as illiquid periods

## ADTV in the month of the year with the lowest volumes



## ADTV in the month of the year with the highest volumes





# Local Shares vs Depository Receipts

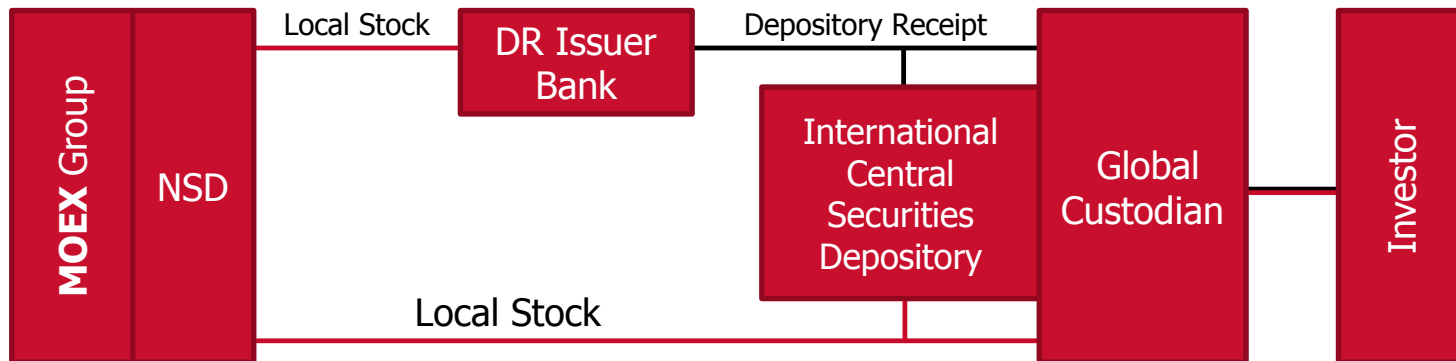
## Safekeeping Structure

**Trading local equities reduces the number of intermediaries involved**

That leads to:

- Removing extra costs to maintain a Depository Receipt program
- Reducing risks of a DR program being suspended or closed

**Investors can use the same infrastructure for settling and safekeeping Local Equities and Depository Receipts while Local Equities remain more transparent**

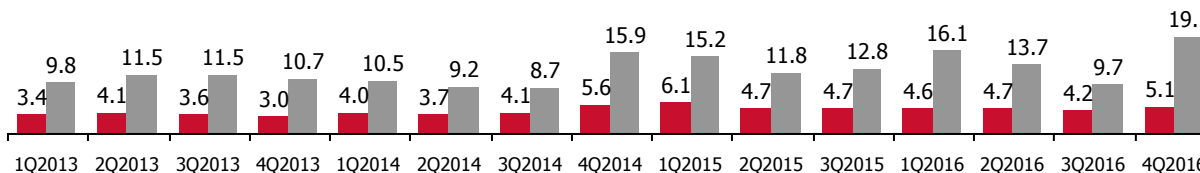


# Dual listed stocks virtual index spread dynamics

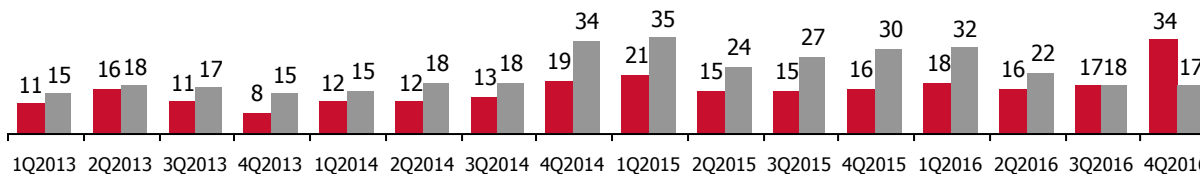
Analysis provided by  
LiquidMetrix

MICEX  
Virtual index<sup>2</sup>

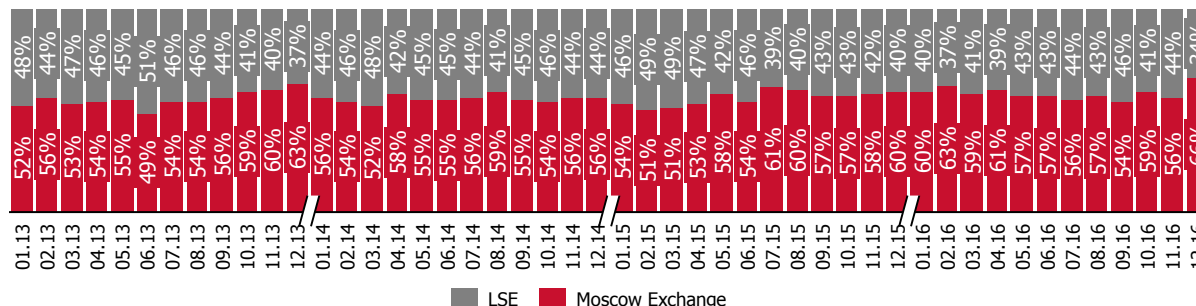
Bid - ask spread 1 Contract (b.p.<sup>1</sup>)



Bid - ask spread 50k EUR deal (b.p.)



Market share<sup>3</sup> (most liquid Russian dual listed stocks)



✓ Moscow Exchange is the liquidity center for Russian equities, **with a 59% market share** in 2016

✓ Aggregated spreads for the most liquid dual listed stocks are substantially lower in Moscow, which implies lower all-in trading costs

Notes:

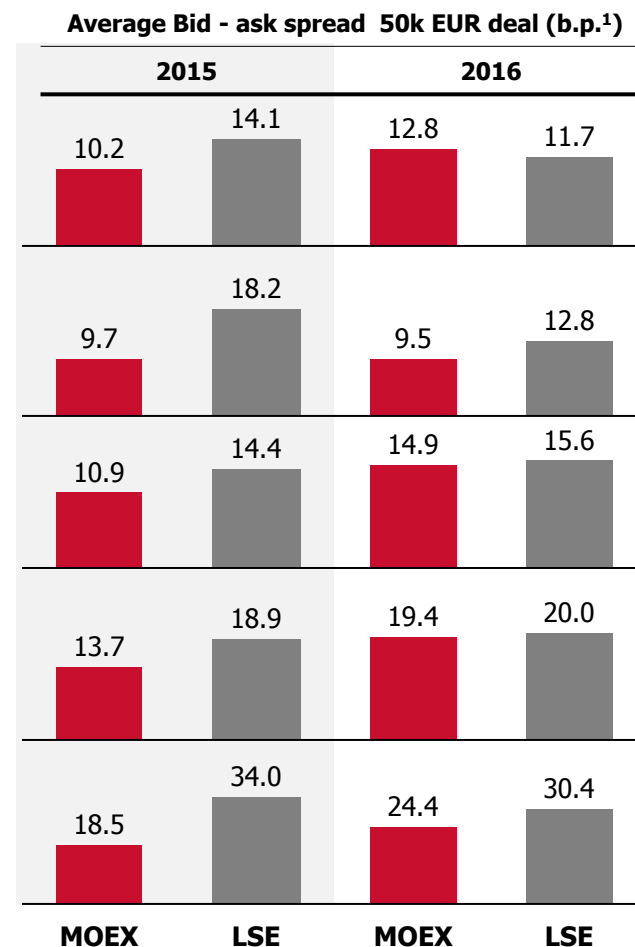
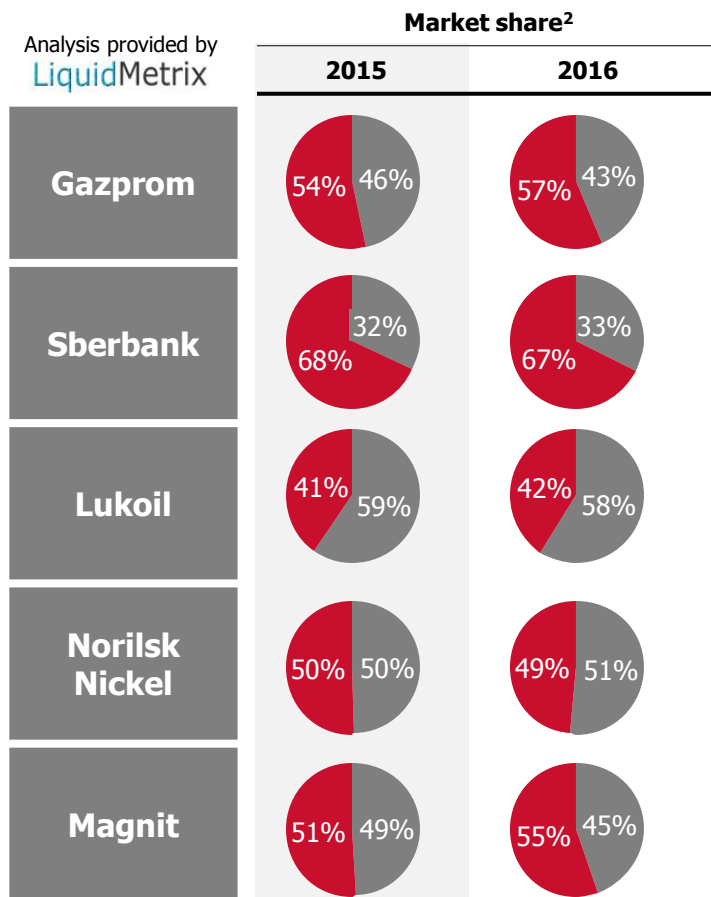
**Spreads** measure the bid to offer spread of the best visible orders in the book, the result based on measurements of the order books every 30 seconds



1 The value for the spread is quoted in basis points (0.01%)  
 2 MICEX Virtual Index – index calculated based on prices and EOB data of the most liquid Russian dual listed stocks  
 3 Data since Dec 2015 includes trading auctions on MOEX  
 Source: LiquidMetrix

# Blue chips bid-ask spread dynamics for 50k EUR deal (1)

Analysis provided by  
LiquidMetrix

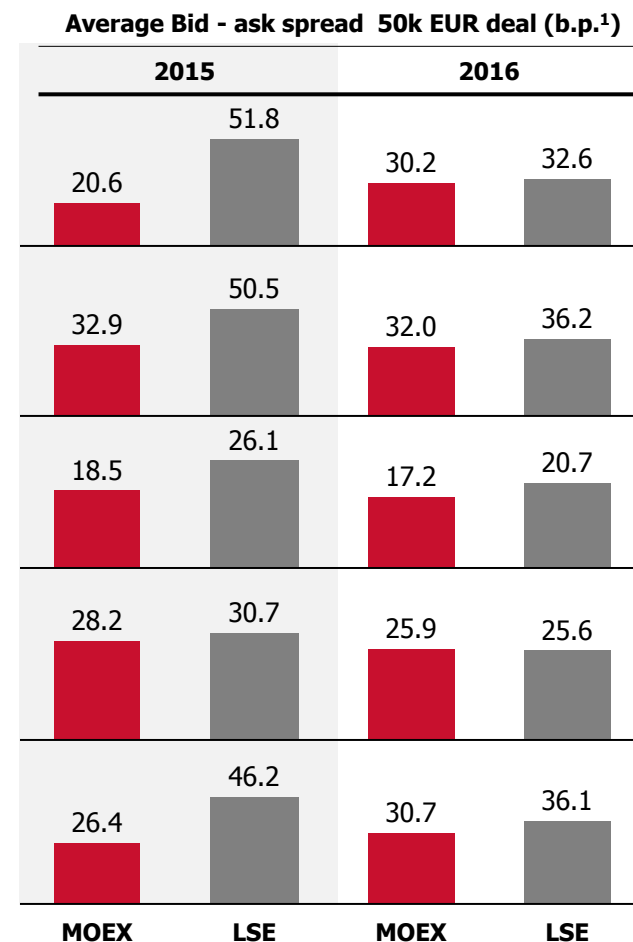
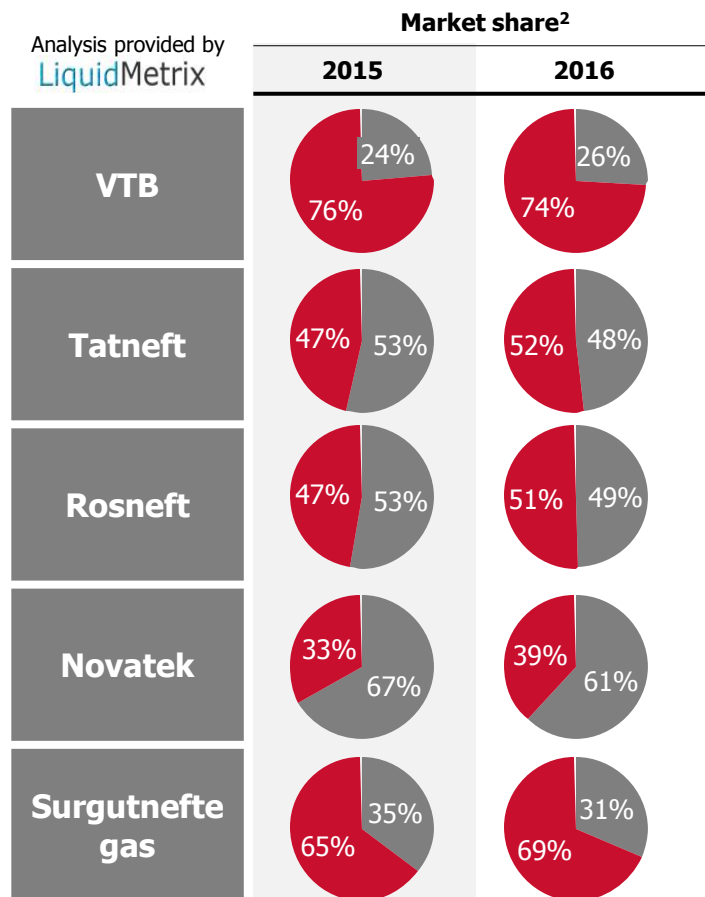


Bid-ask spreads for the vast majority of the Russian “Blue Chips” are also substantially lower on Moscow Exchange than on other trading venues

1 The value for the spread is quoted in basis points (0.01%)  
2 Data since Dec 2015 includes trading auctions on MOEX  
Source: LiquidMetrix

# Blue chips bid-ask spread dynamics for 50k EUR deal (2)

Analysis provided by  
LiquidMetrix



Bid-ask spreads for the vast majority of the Russian “Blue Chips” are also substantially lower on Moscow Exchange than on other trading venues

1 The value for the spread is quoted in basis points (0.01%)  
2 Data since Dec 2015 includes trading auctions on MOEX  
Source: LiquidMetrix

# Consolidated Statement of **Comprehensive Income**

<i>In million rubles</i>	<i>FY2016</i>	<i>FY2015</i>	<i>% chg. Y2016/ Y2015</i>
Fee and commission income	19 797,6	17 784,0	11%
Interest and other finance income <sup>1</sup>	23 695,0	28 084,9	-16%
Other operating income	74,6	121,1	-38%
<b>Operating Income</b>	<b>43 567,2</b>	<b>45 990,0</b>	<b>-5%</b>
Administrative and other operating expenses	-6 312,3	-5 488,7	15%
Personnel expenses	-5 947,1	-5 783,2	3%
<b>Operating Expense</b>	<b>-12 259,4</b>	<b>-11 271,9</b>	<b>9%</b>
<b>Operating Profit</b>	<b>31 307,8</b>	<b>34 718,1</b>	<b>-10%</b>
Share of profit/(loss) of associates	-	1,2	-
<b>Profit before Tax</b>	<b>31 307,8</b>	<b>34 719,3</b>	<b>-10%</b>
Income tax expense	-6 125,2	-6 867,2	-11%
<b>Net Profit</b>	<b>25 182,6</b>	<b>27 852,1</b>	<b>-10%</b>
<b>Earnings per share</b>			
Basic earnings per share, rubles	11,2	12,5	-10%
Diluted earnings per share, rubles	11,2	12,4	-10%



# Consolidated Statement of **Financial Position**

<i>In million rubles</i>	<i>December 31, 2016</i>	<i>December 31, 2015</i>	<i>% chg. December 31, 2016/ December 31, 2015</i>
<b>Assets:</b>			
Cash and cash equivalents	380 516,6	992 696,1	-62%
Central counterparty financial assets	1 733 263,8	518 509,3	234%
Financial assets <sup>1</sup>	282 339,3	211 876,5	33%
Property and equipment and intangible assets	26 064,3	24 825,2	5%
Goodwill	15 971,4	15 971,4	0%
Other assets <sup>2</sup>	3 782,5	2 439,1	55%
<b>Total Assets</b>	<b>2 441 937,9</b>	<b>1 766 317,6</b>	<b>38%</b>

<i>In million rubles</i>	<i>December 31, 2016</i>	<i>December 31, 2015</i>	<i>% chg. December 31, 2016/ December 31, 2015</i>
<b>Liabilities:</b>			
Balances of market participants	574 590,1	1 119 097,5	-49%
Central counterparty financial liabilities	1 733 263,8	518 509,3	234%
Distributions payable to holders of securities	2 952,3	6 138,4	-52%
Other liabilities <sup>3</sup>	7 748,1	8 962,8	-14%
<b>Total Liabilities</b>	<b>2 318 554,3</b>	<b>1 652 708,0</b>	<b>40%</b>
<b>Total Equity</b>	<b>123 383,6</b>	<b>113 609,6</b>	<b>9%</b>
<b>Total Liabilities and Equity</b>	<b>2 441 937,9</b>	<b>1 766 317,6</b>	<b>38%</b>

Source: Moscow Exchange, Consolidated Financial Statements

1 Financial assets at fair value through profit or loss, Due from financial institutions, Investments available-for-sale, Investments in associates

2 Current tax prepayments, Deferred tax asset, Other assets

3 Settlement on reverse repo margins, Deferred tax liability, Current tax payables, Other liabilities

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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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