



**MOSCOW  
EXCHANGE**

9 August 2017

# 2Q 2017 Earnings Presentation

# Key developments in 2Q 2017 and after the reporting period

## ✓ Corporate events

- MOEX's Supervisory Board recommended paying interim dividends for the first half of 2017. The recommendation will be put to an EGM of Shareholders for approval in early September.
- Moscow Exchange completed dividend payments for 2016, distributing DPS of RUB 7.68 for a total amount of RUB 17.5 bln, or 69.4% of the company's consolidated net profit.
- JPMorgan Chase & Co. companies increased their ownership stake in MOEX to above 5% following a similar move by OppenheimerFunds, Inc earlier this year.
- MOEX is to establish a subsidiary that will focus on investing in innovative projects and working with fintech startups. The Exchange plans to invest up to RUB 1.2 bln over 3-4 years into innovation-focused companies and initiatives.

## ✓ Strengthening the product offering & systems

- Since April, nine Russian corporates obtained direct access to the FX Market and executed trades totaling USD 2 bln.
- In July-August eleven Russian corporates were granted access to the Money Market. Corporates can place deposits with the central counterparty at repo market rates. Over the first two weeks, the volumes totaled RUB 49 bln.
- In 2Q 2017 two SPOs of Russian issuers totaling RUB 49.2 bln were completed on MOEX.
- Growth Sector – a segment of the Equity and Fixed Income Market for securities issued by small and medium enterprises – was launched in July.
- Moscow Exchange launched on-exchange repo with collateral management (CMS). The new product combines the Exchange's repo infrastructure with NSD's collateral management system.
- A new market making program for spot USD/RUB trading with TOM settlement was introduced on the FX Market.

## ✓ External developments

- The total amount eligible to be invested annually via Individual Investment Accounts was increased to RUB 1 mln from RUB 400,000 starting from 2017.
- A law exempting coupon payments on corporate bonds from personal income tax was adopted.
- The CBR's risk parameters for GCCs that are used for calculation of RWA were brought in line with risk coefficients for underlying assets. Previously GCCs were treated as uncollateralised securities.



# Direct access of Russian corporates to FX and Money Markets: update on activity

## Corporates on FX Market

**Direct access to FX Market**

**9** corporate participants to date

**113** RUB bln trading volumes since the launch

**15** RUB mln average trade size

## Corporates on Money Market

**Deposits with the CCP for corporates**  
*Launched on 24 July 2017*

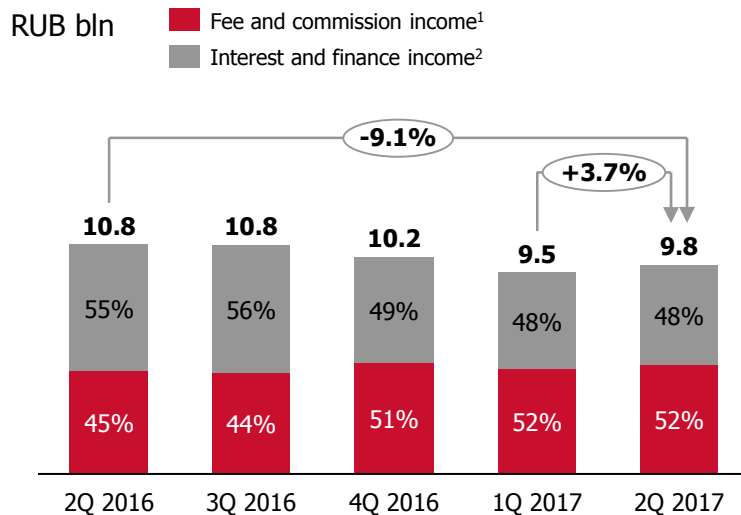
**11** corporate participants to date

**49** RUB bln trading volumes since the launch

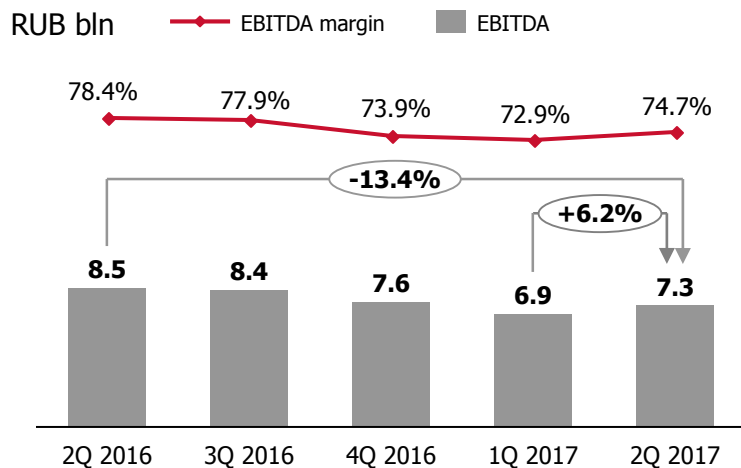
**134** RUB mln average trade size

# 2Q 2017 summary of financials

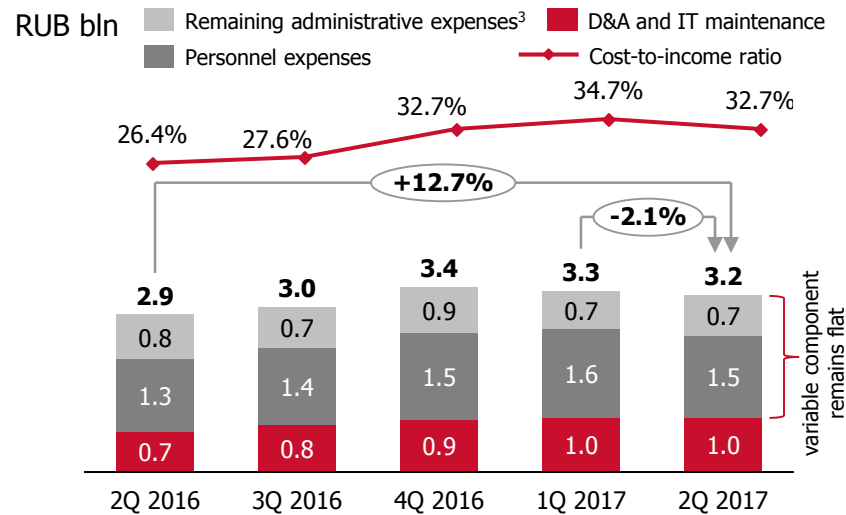
## Operating income



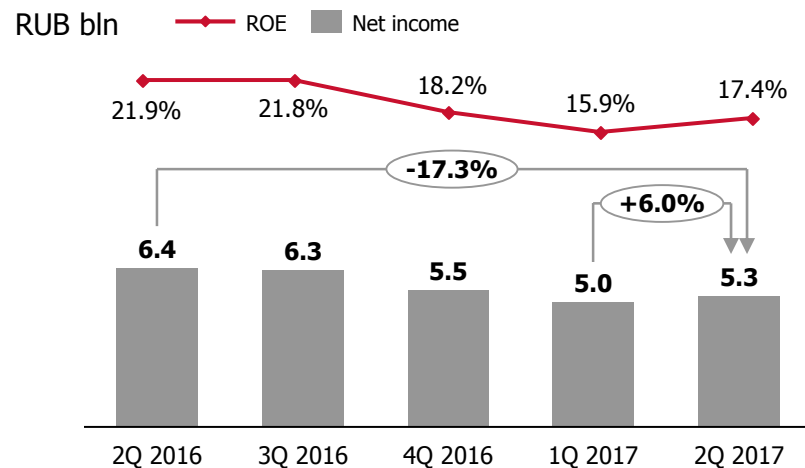
## EBITDA and EBITDA margin



## Operating expenses



## Net income



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Source: Moscow Exchange

1 Includes Other operating income

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

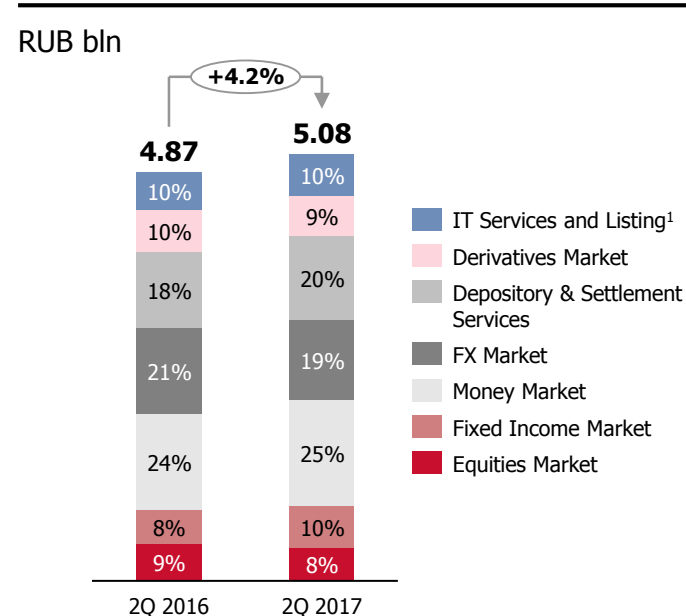
3 Remaining administrative expenses are calculated as Administrative expenses less Depreciation of property and equipment, Amortisation of intangible assets and Equipment and intangible assets maintenance

# Diversified fee and commission income

## Fee & commission income performance

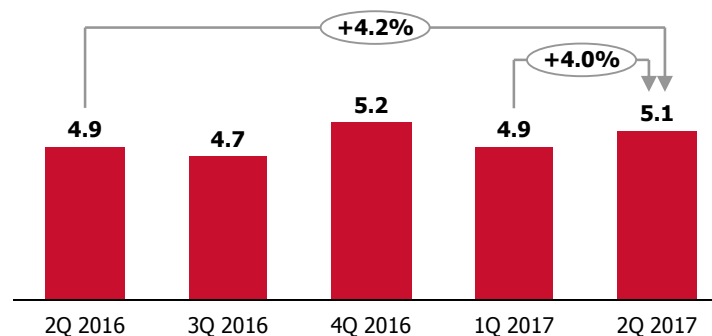
RUB mln	2Q 2016	2Q 2017	Change YoY, mln	Change YoY, %
Depository and Settlement Services	890	1,001	111	12.4%
Money Market	1,151	1,253	102	8.8%
Fixed Income Market	408	502	94	23.1%
IT Services and Listing <sup>1</sup>	467	490	23	4.9%
Derivatives Market	502	481	-21	-4.2%
Equities Market	422	385	-37	-8.8%
FX Market	1,031	965	-67	-6.4%

## Fee & commission income breakdown



## Fee & commission income dynamics

RUB bln



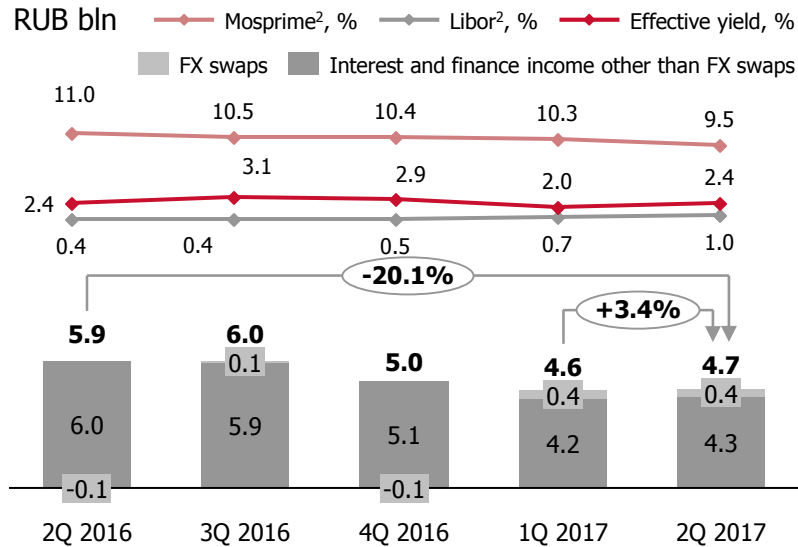
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Source: Consolidated Financial Statements

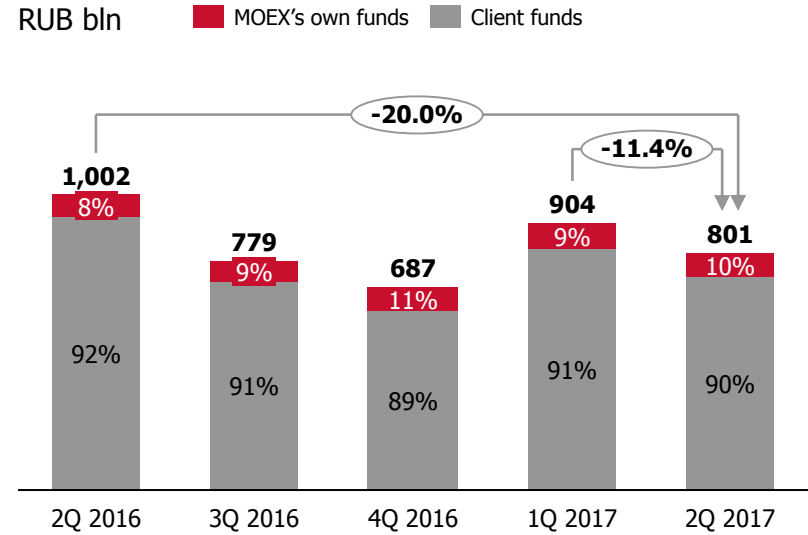
<sup>1</sup> IT Services and Listing includes Information services, Sale of software and technical services, Listing and other service fees and Other fee income

# Interest and finance income

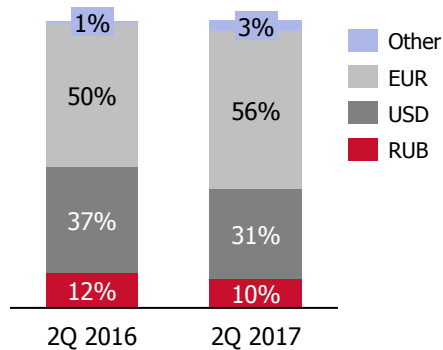
## Interest and finance income<sup>1</sup>



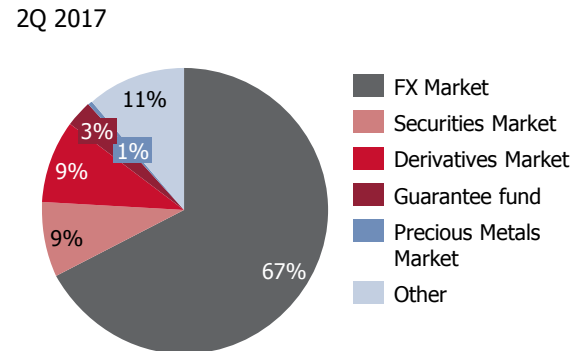
## Investment portfolio<sup>3</sup>



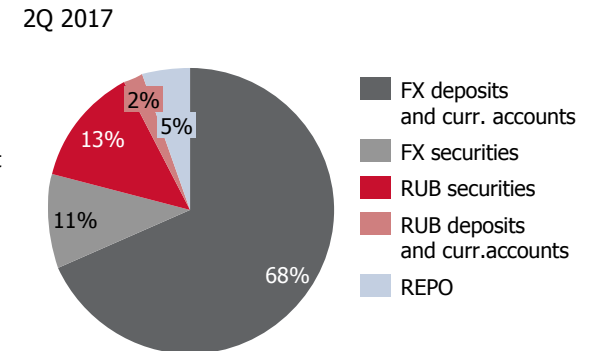
## Client funds by currency



## Client funds by source



## Investment portfolio by type of asset

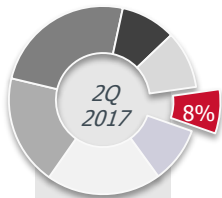


Source: NFEA, Bloomberg, Moscow Exchange operational information and Consolidated Financial Statements

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

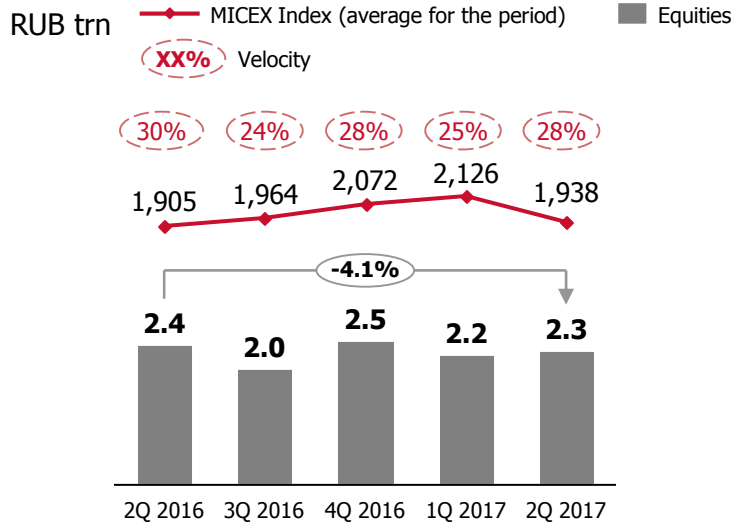
2 Average daily rate for the period

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



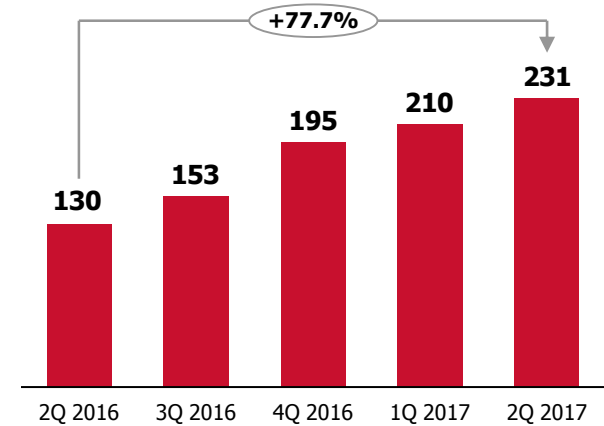
# Equities Market: growing retail interest

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

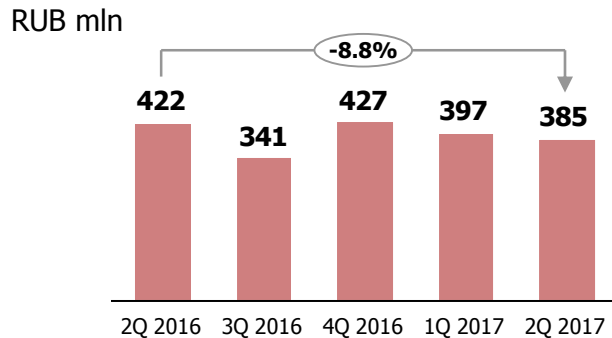


## Increasing popularity of Individual Investment Accounts

Individual Investment Accounts, thousands



## Fee & commission income



## Comments

- Volatility of the Equities Market (as measured by RVI) was down by 30% YoY. On the back of lower volatility, trading volumes in the Equities Market declined by 4% YoY. Velocity decreased from 30% in 2Q 2016 to 28% in 2Q 2017. Fee and commission income declined by 9% YoY concurrently with trading volumes.
- As of 30 June 2017 there were 89,000 active retail accounts (+24% YoY) in the Equities Market.
- In the second quarter of 2017 two MOEX-listed companies, United Wagon Co. and Polyus, held SPOs totaling more than RUB 49 bln.



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

1 Volumes of both primary and secondary markets

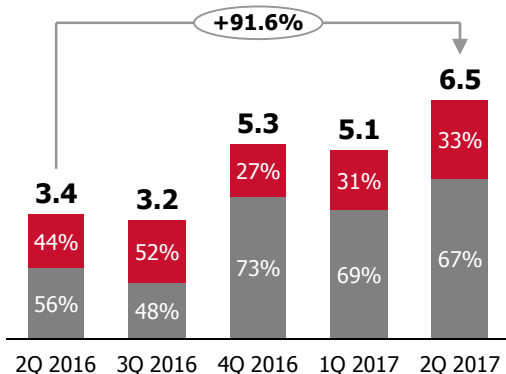


# Fixed Income Market: strong primary placements and growth in secondary trading

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

RUB trn

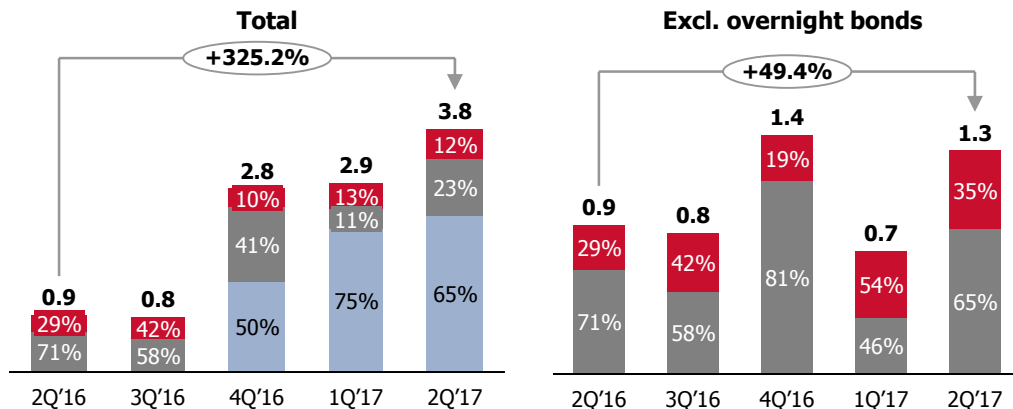
- Sovereign bonds
- Corporate, municipal and other bonds



## Primary market

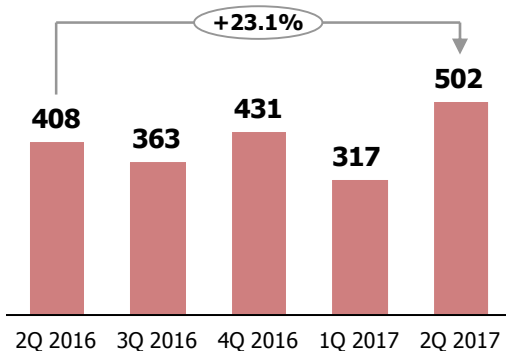
RUB trn

- Sovereign bonds
- Corporate, municipal and other bonds (excl. overnight)
- Overnight bonds



## Fee & commission income

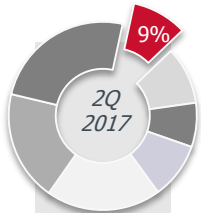
RUB mln



## Comments

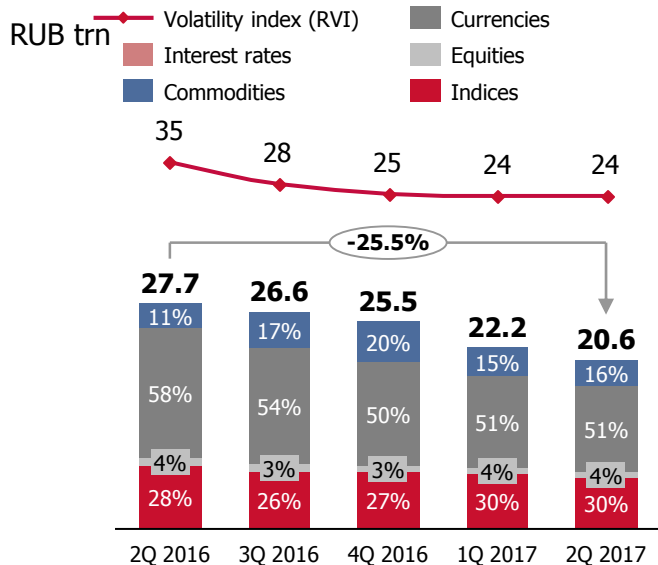
- Volumes of primary placements excluding placements of overnight bonds increased by 49% YoY. Placements of government bonds increased by 78% YoY, and corporate bond placements (excl. placements of overnight bonds) rose by 38% YoY. Overnight bonds comprised 65% of total new placements. Secondary trading increased by 9% YoY thanks to active trading in government bonds.
- Fees and commissions increased by 23% YoY, primarily as a result of strong primary placements.
- A law introducing tax exemption of coupons on corporate bonds for retail investors was adopted. The law effectively removes differences in tax treatment of corporate bonds and deposits for individual investors.





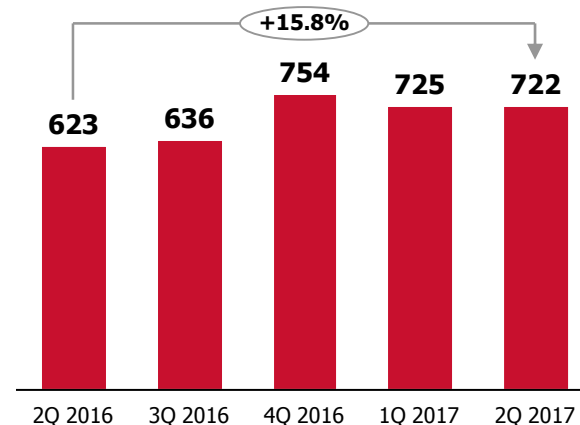
# Derivatives Market: continued growth of options and commodity derivatives

## Trading volumes



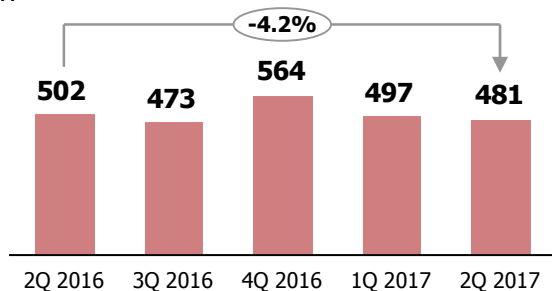
## Open interest

RUB bn, daily average



## Fee & commission income

RUB mln



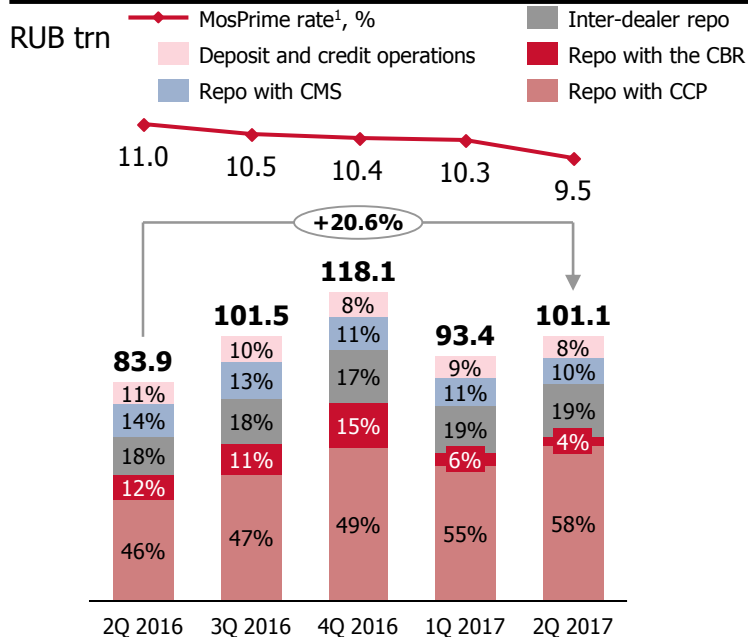
## Comments

- Fee and commission income from the Derivatives Market declined by 4% YoY, while trading volumes decreased by 25% YoY in RUB terms.
- The decline in derivatives trading volumes was mostly due to lower trading in FX and index futures (down 36% and 29% YoY, respectively), consistent with muted or even subsiding volatility in both USD/RUB and equities.
- Options trading volumes were up by 39% YoY, with growth driven by index options (up 53% YoY).
- Commodity derivatives continued to grow (up 10% YoY).

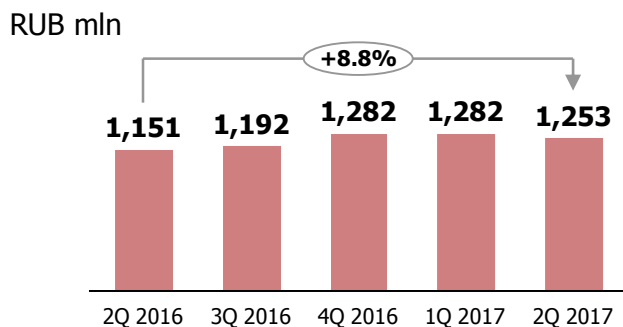


# Money Market: growing repo volumes support fees

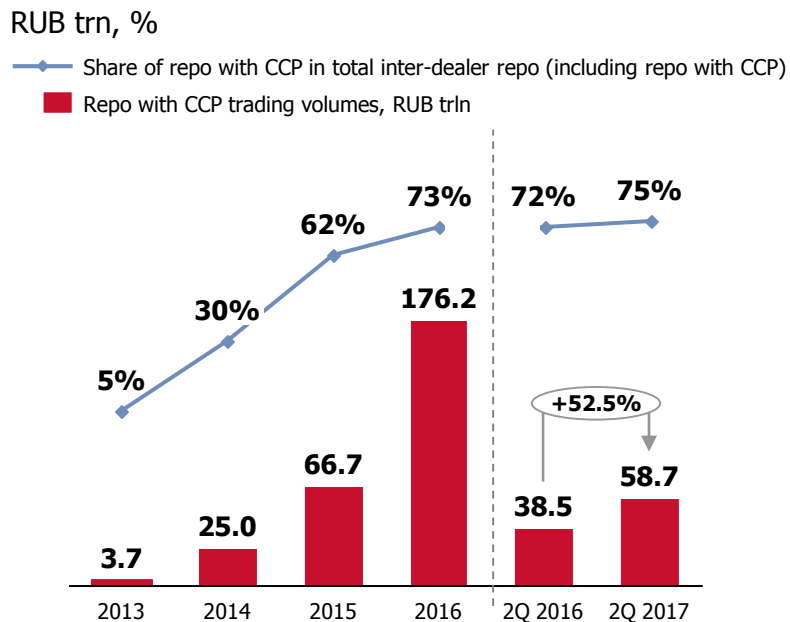
## Trading volumes



## Fee & commission income

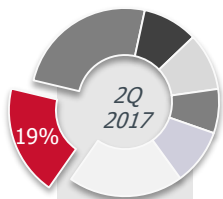


## Trading volumes for repo with CCP



## Comments

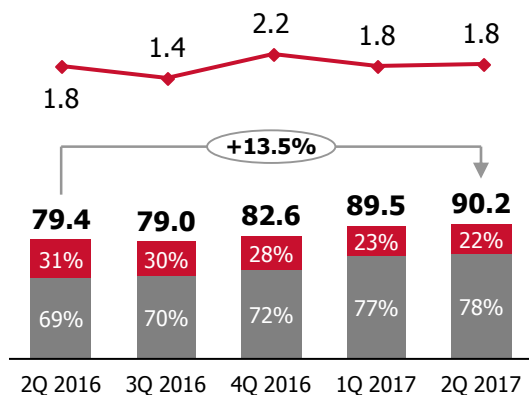
- Fee and commission income grew by 9% YoY, driven by continued strong demand for repo with CCP (trading volumes grew by 52% YoY).
- The share of repo with CCP in total inter-dealer repo volumes reached 75% (vs 72% a year ago), reflecting the economy-wide liquidity surplus. Volumes of repo with the CBR decreased by 57% YoY as a result of the decreased need to provide liquidity.
- On 24 July 2017 Russian corporates were given access to deposits with the CCP. Corporates can deposit money at repo market rates.



# FX Market: higher share of swap trading volumes amid continued demand for liquidity management

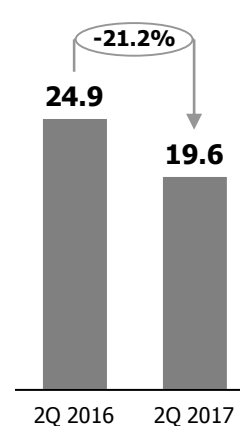
## Trading volumes

RUB trn ■ Spot ■ Swap — Volatility USD/RUB<sup>1</sup>



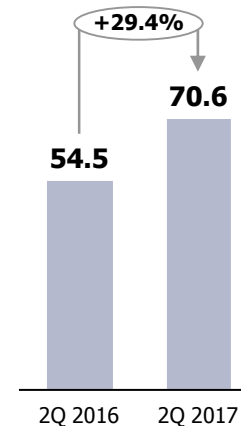
## Spot trading volumes

RUB trn



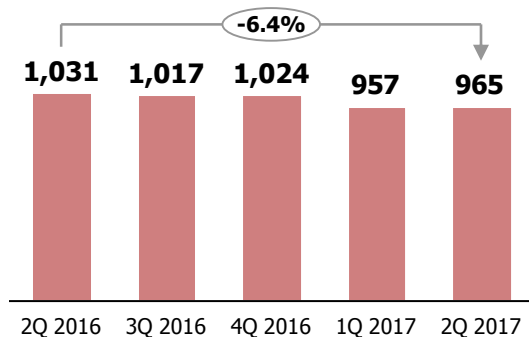
## Swap trading volumes

RUB trn



## Fee & commission income

RUB mln



## Comments

- FX Market's trading volumes increased by 14% YoY. Fee and commission income declined by 6% YoY, driven by a higher share of swaps in the total FX Market's volumes.
- Spot trading volumes declined by 21% YoY as volatility remained relatively muted. Trading volumes in the swap segment grew by 29% YoY due to demand for liquidity management instruments.
- MOEX's market share vs OTC in 2Q 2017 was 54%, roughly at the same level as in 2Q 2016.
- Nine Russian corporates obtained direct access to MOEX FX Market and have executed trades totaling USD 2 bln YTD.



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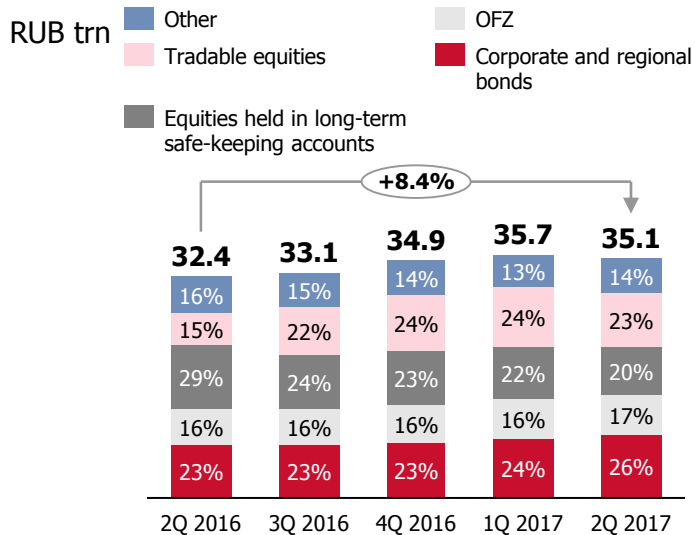
Source: Moscow Exchange operational information and Consolidated Financial Statements, CBR

<sup>1</sup> Calculated as daily standard deviation for the period divided by the average value for the period



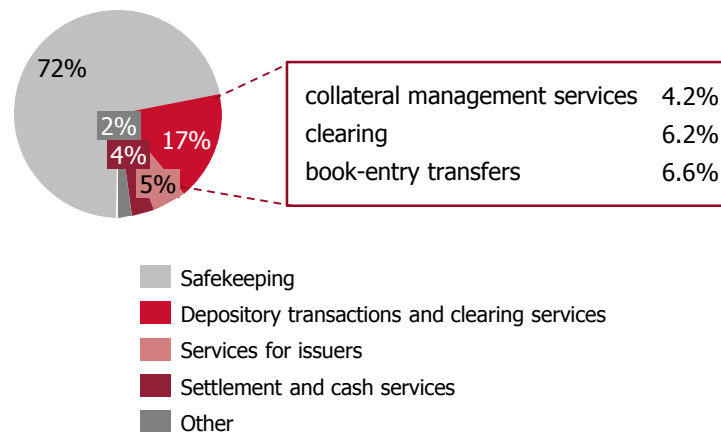
# Depository and settlement: growing assets under custody

## Assets on deposit (average for the period)

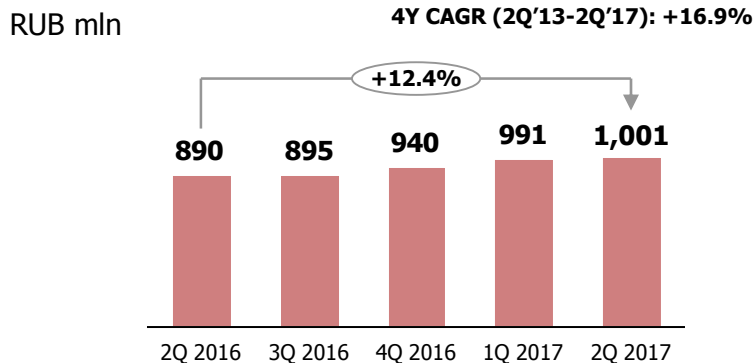


## Fee & commission income breakdown

2Q 2017



## Fee & commission income



## Comments

- Assets under custody grew by 8% YoY. The fastest growing types of assets were government and corporate bonds (growth rates of 15% and 19% YoY, respectively), driven by new bond placements.
- Fees and commissions from depository and settlement services were up by 12% YoY, driven primarily by safekeeping fees.





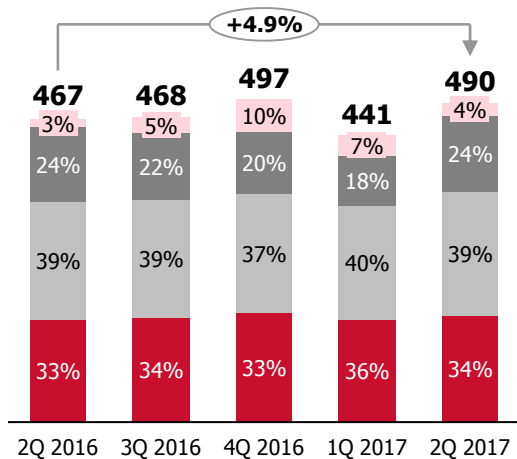
# IT Services and Listings: growth across the board

## IT Services and Listings<sup>1</sup>

RUB mln

4Y CAGR (2Q'13-2Q'17): +15.1%

- Other fee and commission income
- Listing and other fees related to Securities Market
- Information services
- Sale of software and technical services



## Comments

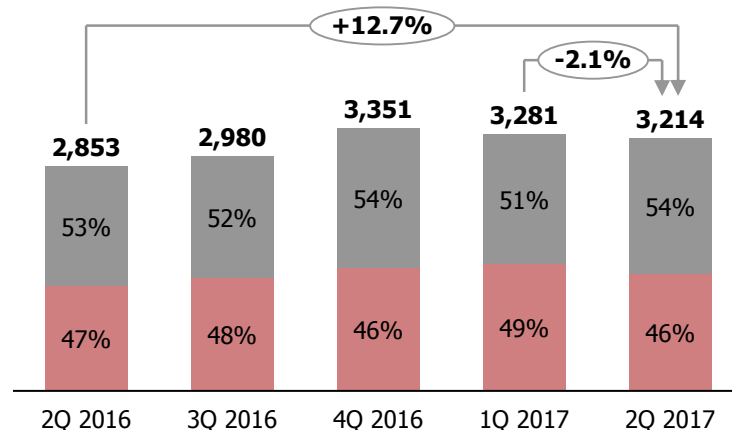
- Listing and other service fees related to the Securities Market expanded by 1% YoY as a result of increased activity on the bond primary market.
- Sales of software and technical services grew by 5% YoY.
- Fees and commissions contributed by information services increased by 4% YoY.

# Operating expenses

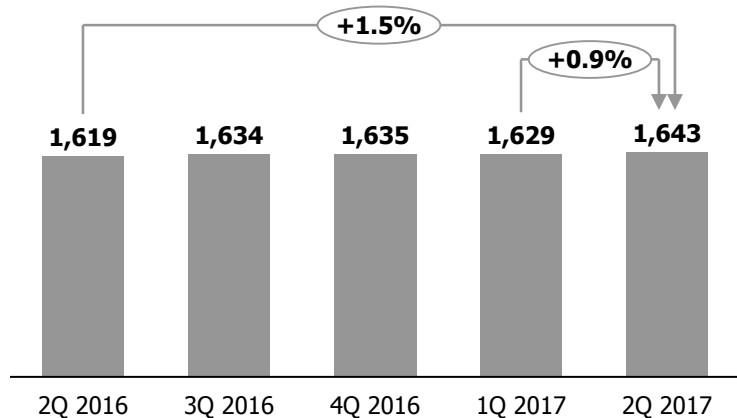
## Operating expenses

RUB mln

- Administrative and other operating expenses
- Personnel expenses



## Headcount



## Major expense items

RUB mln	2Q 2016	2Q 2017	Change YoY
Personnel expenses	1,327.7	1,477.9	11.3%
D&A and IT maintenance	732.0	997.8	36.3%
Remaining administrative expenses <sup>1</sup>	793.2	738.4	-6.9%
<b>Total</b>	<b>2,852.9</b>	<b>3,214.1</b>	<b>12.7%</b>
<b>Cost income ratio</b>	<b>26.4%</b>	<b>32.7%</b>	<b>6.3 p.p.</b>

## Comments

- In 2Q 2017 operating expenses grew by 12.7% YoY, below previous guidance.
- Administrative expenses increased by 13.8% YoY. D&A and IT maintenance growth was attributable to expenses related with the implementation of CAPEX program in 2016. Depreciation and amortisation increased by 40.7% YoY and IT maintenance expenses were up by 25.9% YoY. The remaining administrative expenses decreased by 6.9% YoY.
- Personnel costs increased by 11.3% YoY due to a lower bonus provision reversal in 2Q 2017 compared with 2Q 2016.
- Revised 2017 operating expenses growth guidance is **15%-17%**.

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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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