



**MOSCOW  
EXCHANGE**

7 November 2018

# 3Q 2018 Earnings Presentation

# Delivery on strategic initiatives in 3Q 2018 and beyond

## - New Products -

- MOEX celebrates 5 new launches in commodity derivatives: deliverable futures on gold and cash-settled futures on 4 LME non-ferrous metal price benchmarks – nickel, copper, aluminum and zinc.
- The first ETF under Russian law, which tracks the MOEX Russia Index and was originated by a Russian asset manager, started trading.
- RUB-priced and KZT-based ETF on KASE Index began trading on Moscow Exchange.
- A new currency pair (GBP/USD) was added in the FX Market, cash-settled futures on USD/INR in the Derivatives Market

## - New Services -

- UCP: a universal fee increase was introduced across the Derivatives, CCP repo and FX swap markets on 1 Nov 2018.
- Electronic OTC platform was launched in the Fixed Income Market to facilitate flow in less liquid instruments.
- IQS system now covers futures contracts in addition to options. 9 market participants are using the system thus far.
- SMA service has become available on the Derivatives Market in addition to FX and Equities Markets.

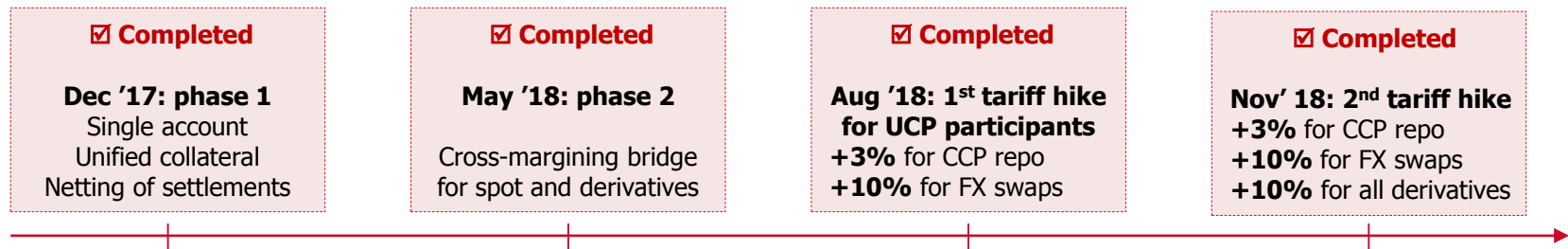
## - New Clients & Partners -

- MOEX announced a strategic partnership with Kazakhstan Stock Exchange (KASE) aimed at building links and ultimately bringing the two markets together. MOEX will provide KASE its IT solutions and acquire up to 20 percent in KASE.
- 14 commercial banks signed a memorandum of cooperation with MOEX to jointly develop the Marketplace project.
- 94 corporates placed 180 bond issues on the Fixed Income Market YTD. 31 entities placed their inaugural issues.
- The number of Individual Investment Accounts (IIAs) almost hit 480,000 at the end of October.
- The number of corporates with direct access to CCP deposits and the FX Market reached 100 and 33, respectively.
- MOEX held 3 major public events: the annual MOEX Forum in New York, Russia-China investment conference in partnership with Shanghai Stock Exchange in Moscow and retail-oriented FINFAIR 2018.



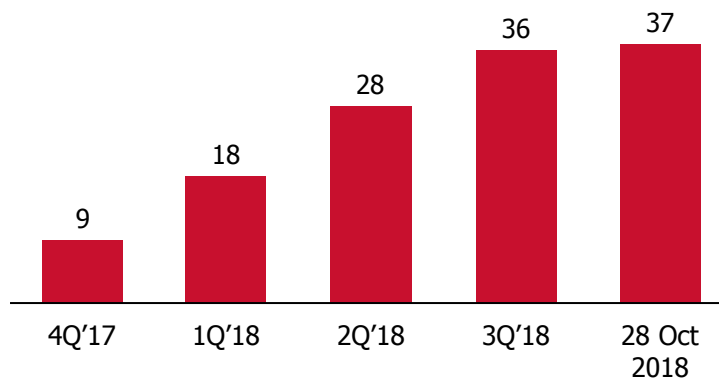
# Unified Collateral Pool: a strategic project completed

## Timeline and latest developments

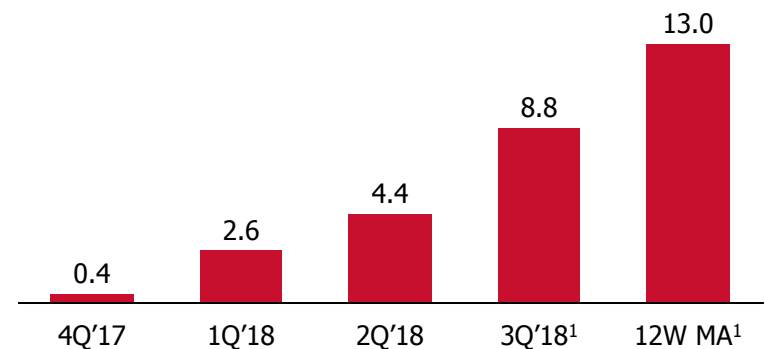


- The UCP take-up continued to grow: in 3Q'18 it accounted for 9% of total trading F&C compared to 4% in 2Q'18.
- The share of UCP accounts in the Derivatives Market – the UCP's cornerstone – has surpassed 40% of fees and volumes.
- On 1 November 2018 a universal tariff hike took place as scheduled. The UCP-linked tariff revision is now complete.
- New tariffs will incentivize market participants to use UCP capabilities more actively and speed up onboarding.

**Number of market participants with UCP accounts (as per end of period)**



**Share of F&C from UCP accounts as % of total trading F&C**



# The Marketplace @ MOEX: a new strategic project

## THE CONCEPT:

- **Retail deposits (RUB 27 trn)** is the single largest asset pool that might drive growth of on-exchange products
- It lacks fast, convenient interface for retail deposit management across banks - **an area MOEX can digitalize**
- MOEX will expand its core expertise to **standardize and unify** the market of retail deposits, making it truly online

## MOEX HAS:

- **Market neutrality & trust:** no room for conflicts of interest since MOEX does not originate loans or deposits
- **Essential infrastructure:** NSD is the centerpiece, managing the repository for financial transactions (RFT)
- **Tech expertise:** IT development; 25+ years of interaction with banks via API in securities & FX trading etc.

## MOEX GETS:

- **A new source of fee income:** long-term revenue potential can be measured on a scale of RUB billions
- **Business development:** cross-selling to a new audience, many times larger than the existing set of active clients
- **Market intelligence & behavioral data:** obtaining a complete financial profile of a wide retail client base



# Derivatives Market: recent additions and updates

**NEW**

## Deliverable futures on gold

Launched in Oct'18

3

RUB mln

trading volumes since 11 Oct 2018

- Complements the cash-settled futures on LBMA gold – 2<sup>nd</sup> most popular commodity futures contract on MOEX
- Will serve as a basis for a new Russian domestic gold price benchmark

**NEW**

## Futures on USD/INR

Launched in Oct'18

0.2

RUB mln

trading volumes since 22 Oct 2018

- USD/INR derivatives are among the top-3 most popular exchange-traded FX derivatives globally

**NEW**

## Futures on LME metals

Launched in Oct'18

7

RUB mln

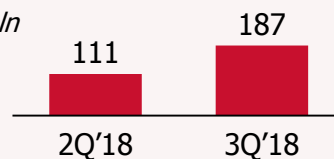
trading volumes since 24 Oct 2018

- 4 contracts on benchmarks: copper, aluminum, nickel and zinc
- Interest expected from corporate hedgers

## Futures on Light Sweet Crude oil

Launched in Apr'18

ADTV, RUB mln

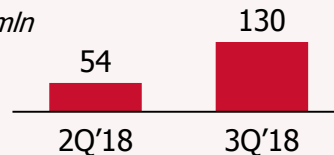


- Already the 4<sup>th</sup> most popular type of underlying among commodity futures on MOEX

## US500 futures

Launched in Jun'18

ADTV, RUB mln

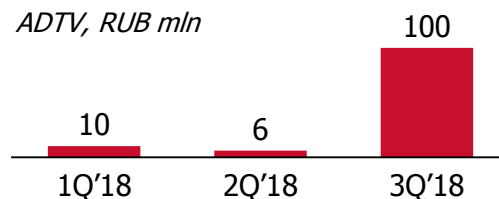


- The underlying is index of 500 largest US companies
- Foreign clients and retail traders (45% and 55% of trading volumes in Sep'18)

## RUONIA futures

Launched in Apr'13

ADTV, RUB mln



- There are long-term drivers for the development of interest rate derivatives:
  - (1) Pause in Russia's monetary easing cycle creates interest rate uncertainty – see Sep-Oct 2018
  - (2) Banking regulation emphasizes interest rate risk
  - (3) Development of MOEX repo market suggest the launch of a proprietary derivative benchmark

### Common features:

Derivatives on global benchmarks

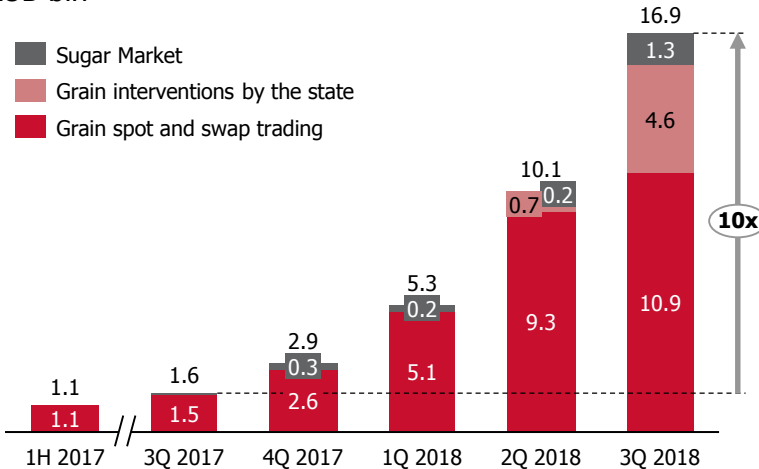
High demand from international clients, including HFTs and arbitrageurs

SMA, DMA access

# Soft Commodities Market: explaining the performance

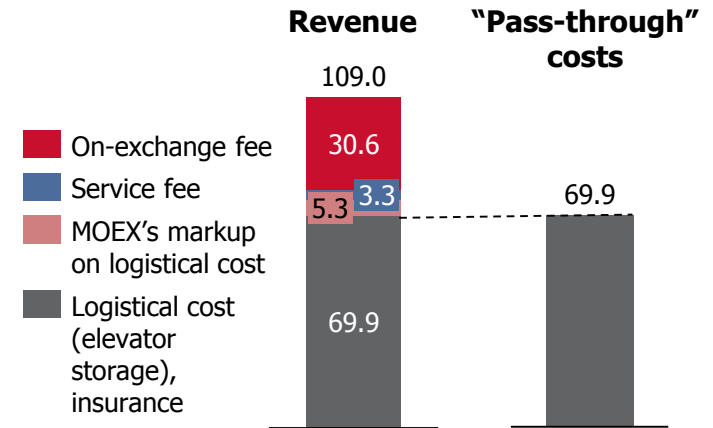
## Trading volumes in the Soft Commodities Market

RUB bln



## Soft Commodities' revenue and cost in 3Q'18<sup>1</sup>

RUB mln



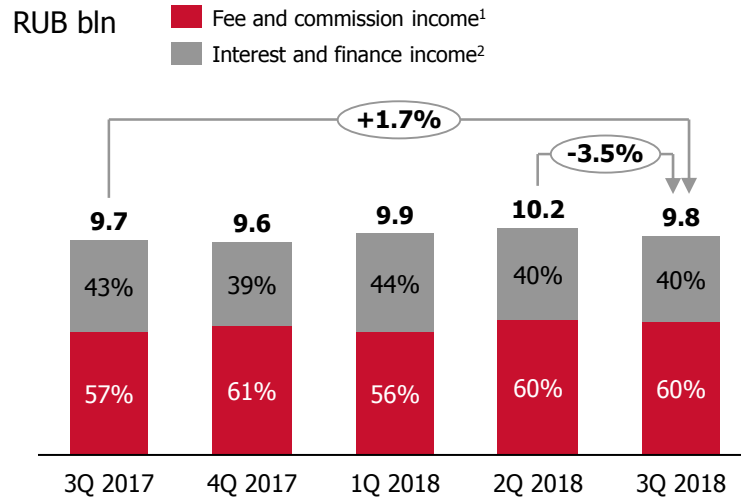
## Comments

- Performance of Soft Commodities has improved markedly in 2018 YTD. Trading volumes were up 10x YoY in 3Q 2018.
- Revenue from Soft Commodities is a part of "Other fee income" under IFRS; costs fall into "Professional services".
- MOEX incurs grain storage costs – i.e. logistical costs – which are passed through to end-clients upon the trade.
- The effective on-exchange fee in Soft Commodities was 18bps in 3Q 2018, which is 10x that of Equities Market.
- There is a direct link between logistical costs and on-exchange fees. These are scaling up coherently.
- Thus, both corresponding P&L items expanded visibly in 3Q'18, adding ~2pp to YoY OPEX growth.
- We will consider showing Soft Commodities separately on the P&L in 2019, though it's not meaningful enough for IFRS to require it.

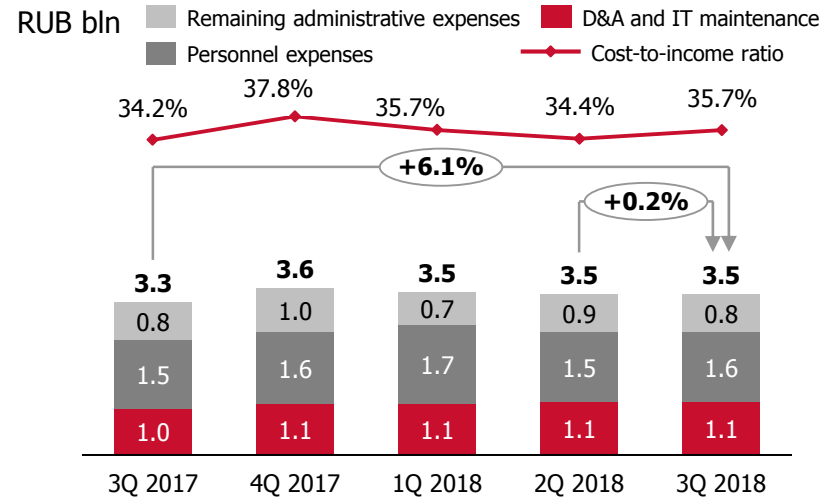


# 3Q 2018 summary of financials

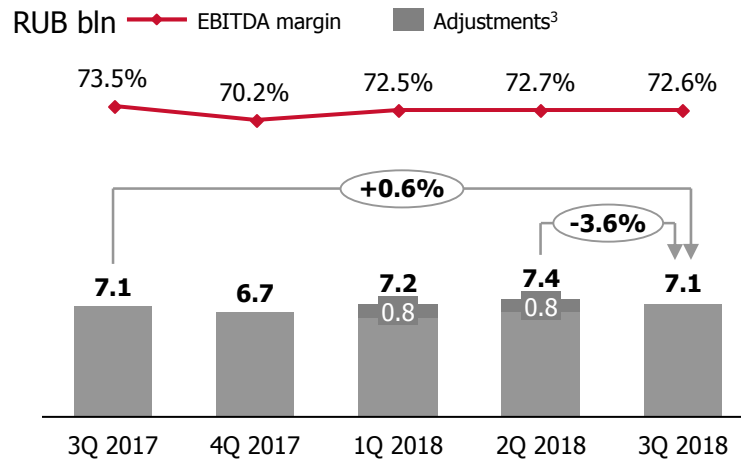
## Operating income



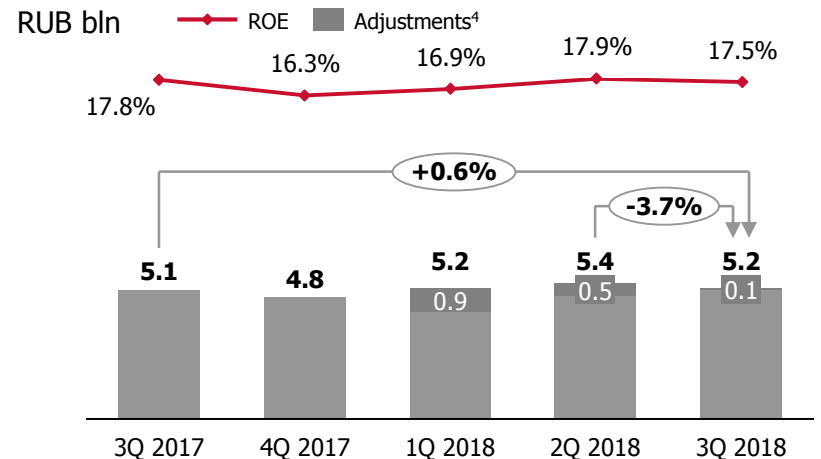
## Operating expenses



## EBITDA and EBITDA margin



## Net income



Source: Moscow Exchange

1 Includes Other operating income

2 Includes Interest and other finance income, Interest expense, Net gain on financial assets available-for-sale, Net gain on financial assets at fair value through other comprehensive income and Foreign exchange gains less losses

3 Adjustments are related to 1) IFRS 9 provisions change and 2) one-off provisions in 1Q and 2Q 2018.

4 Adjustments are related to 1) changes in amortization schedules, 2) IFRS 9 provisions change and 3) one-off provisions in 1Q and 2Q 2018.



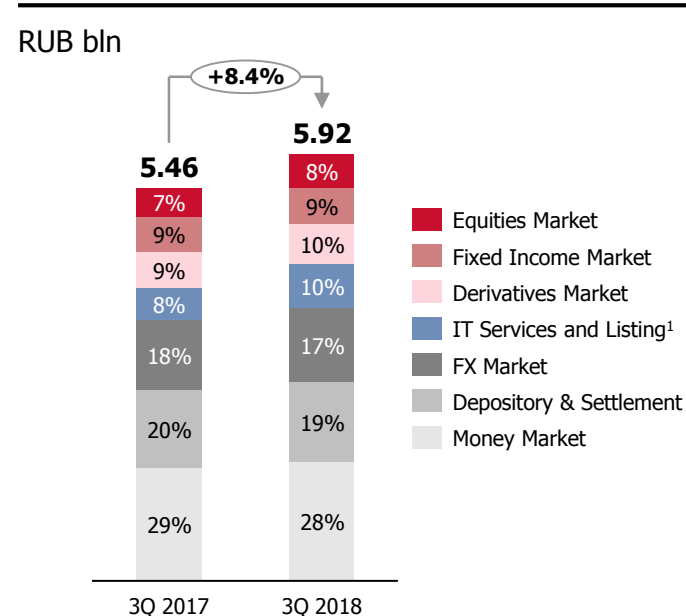
**MOSCOW  
EXCHANGE**

# Diversified fees and commissions: growth across every line

## Fee & commission income performance

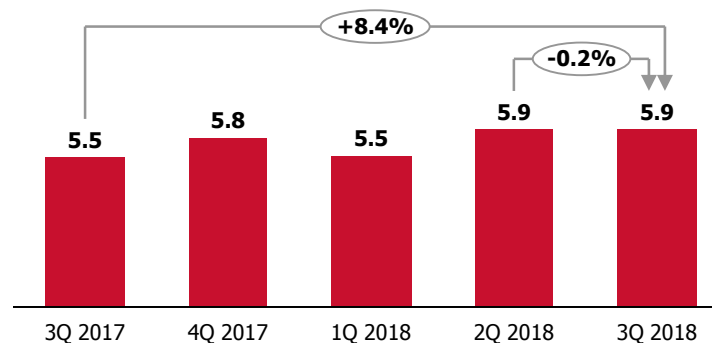
RUB mln	3Q 2017	3Q 2018	Change YoY, mln	Change YoY, %
Money Market	1560.1	1639.7	79.6	5.1%
Depository and Settlement	1083.4	1120.3	36.9	3.4%
FX Market	959.8	1030.0	70.2	7.3%
IT Services and Listing <sup>1</sup>	457.4	589.3	131.9	28.8%
Derivatives Market	494.5	564.8	70.3	14.2%
Fixed Income Market	494.8	507.5	12.7	2.6%
Equities Market	408.5	466.0	57.5	14.1%

## Fee & commission income breakdown

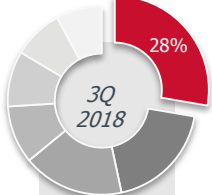


## Fee & commission income dynamics

RUB bln

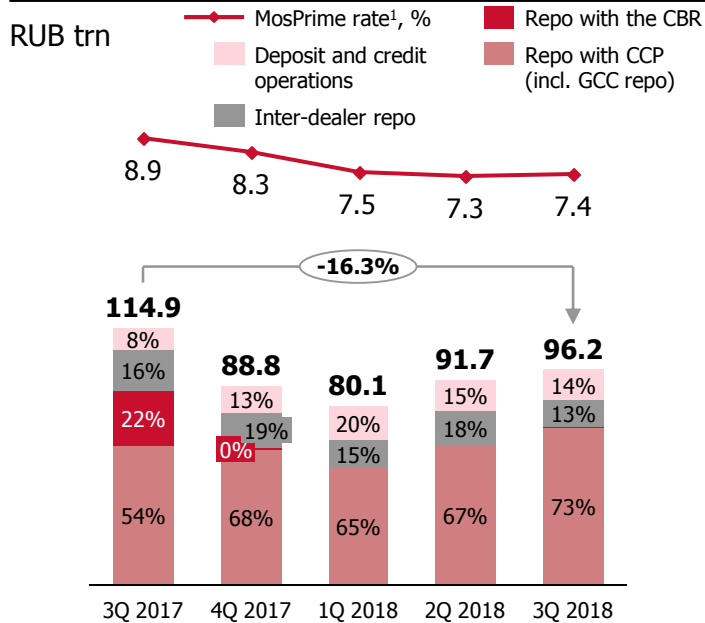




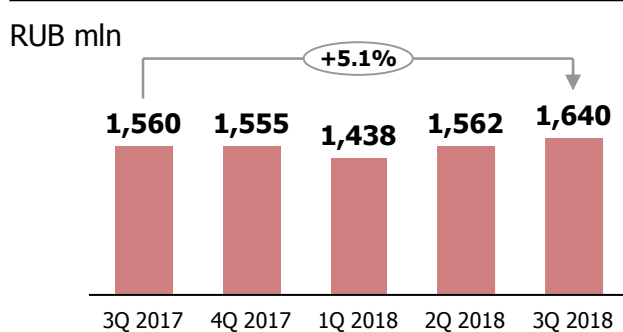


# Money Market

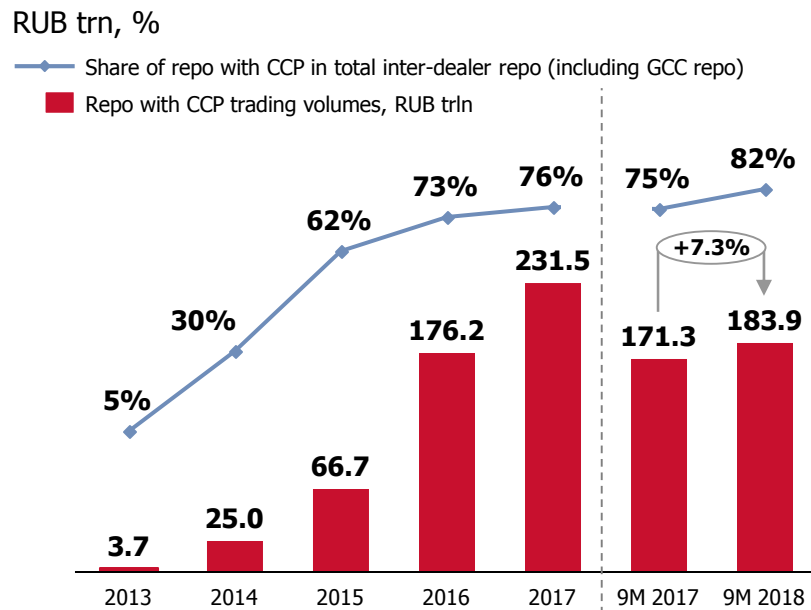
## Trading volumes



## Fee & commission income



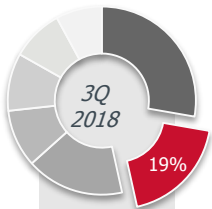
## Trading volumes of repo with CCP



## Comments

- Trading volumes decreased 16.3% YoY on the back of repo with CBR (-98.9% YoY) and interdealer repo (-33.2% YoY). 9-fold growth in GCC repo volumes partially offset the decline.
- F&C income increased 5.1% YoY. It was supported by (1) higher share of CCP repo (both GCC and single-security), (2) fee rate increases, (3) lower market concentration and (4) increasing average term of GCC repo (2.4 days in 3Q'18 vs 1.8 days in 3Q'17).
- The overall average term of on-exchange repo was 3.2 days, down from 3.6 days in 3Q 2017 and slightly up QoQ (2Q 2018: 3.1 days).

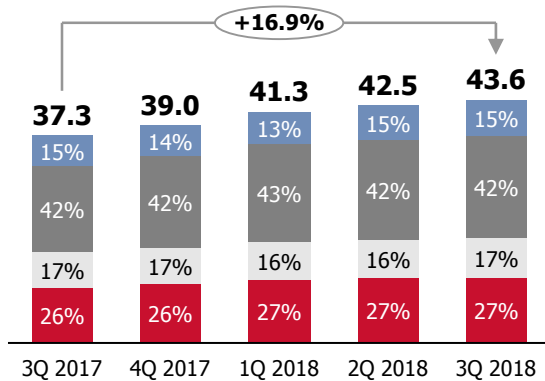
# Depository and Settlement



## Assets on deposit (average for the period)

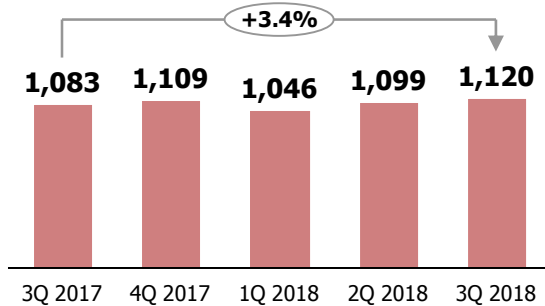
RUB trn

- Other
- OFZ
- Equities
- Corporate and regional bonds



## Fee & commission income

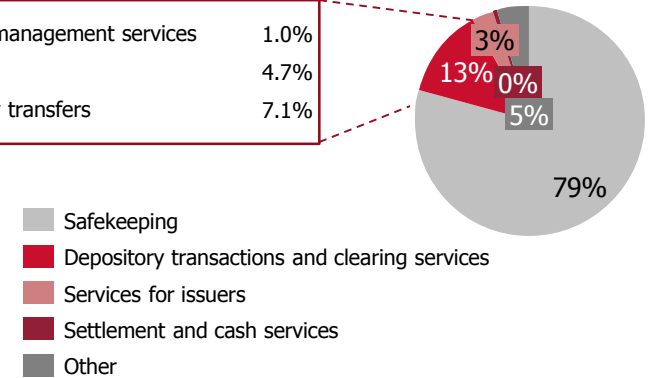
RUB mln



## Fee & commission income breakdown

3Q 2018

collateral management services	1.0%
clearing	4.7%
book-entry transfers	7.1%

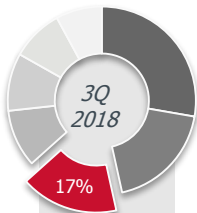


## Comments

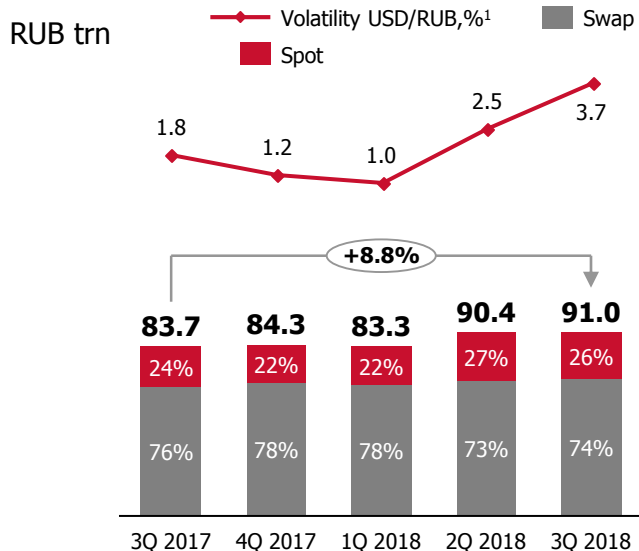
- F&C increased 3.4% YoY on the back of higher average assets on deposit (up 16.9% YoY).
- Growth in assets on deposit occurred across all asset classes. Corporate, regional and CBR bonds grew 21.0% YoY, OFZs (government bonds) grew 12.5% YoY and equities grew 15.4% YoY.
- The discrepancy between growth rates of assets on deposit and F&C income is explained by (1) a decline in volumes of repo with CMS through NSD and (2) a higher share of large market participants that are subject to lower fee rates.



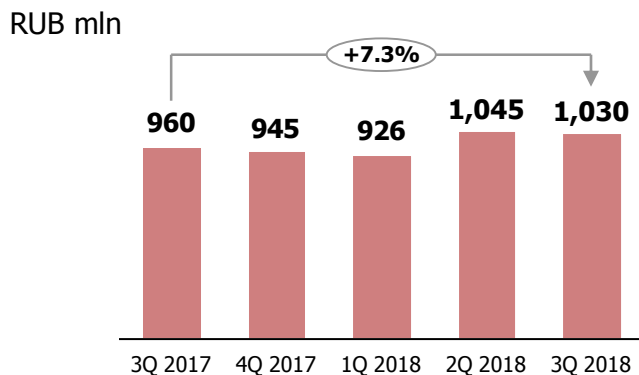
# FX Market



## Trading volumes

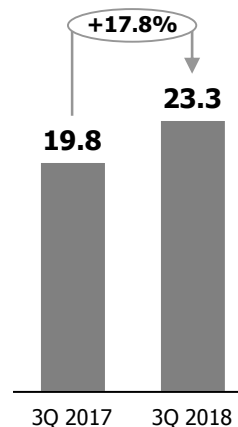


## Fee & commission income



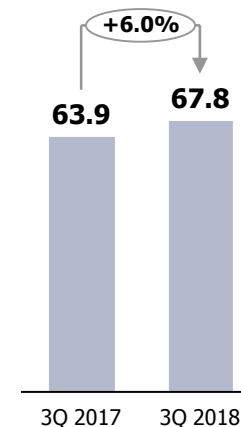
## Spot trading volumes

RUB trn



## Swap trading volumes

RUB trn



## Comments

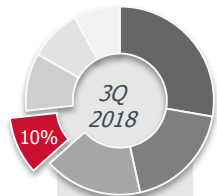
- F&C was up 7.3% YoY due to higher trading volumes.
- Swap trading volumes were up 6.0% YoY. Spot trading volumes grew 17.8% amid high volatility.
- EUR/RUB trading volumes grew 30.0% YoY, with growth in both the spot and swap segments.
- CNY/RUB trading volumes grew 2.6x YoY. This currency pair accounted for 0.45% of total FX market volumes (3Q'17: 0.18%).
- Among other actively traded FX pairs were GBP/RUB (2x YoY) and CHF/RUB (+30% YoY).



**MOSCOW  
EXCHANGE**

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

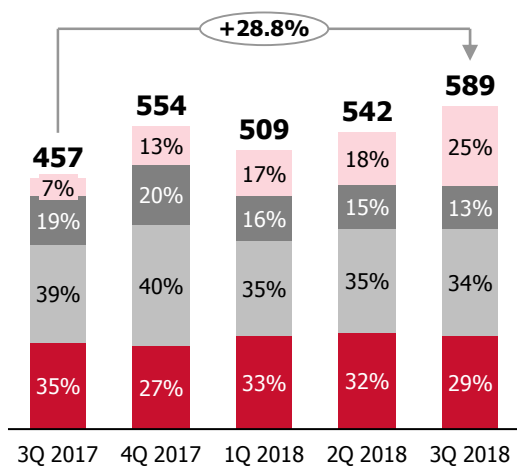


# IT Services and Listings

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

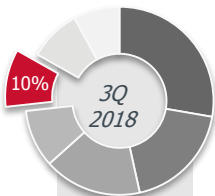
RUB mln

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



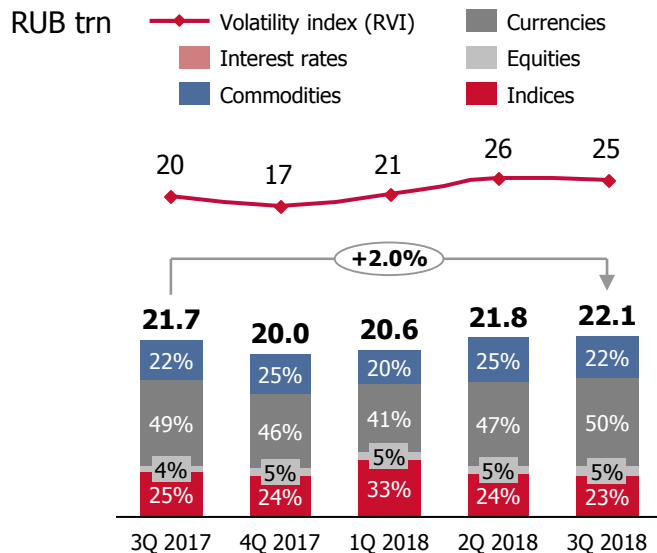
## Comments

- Listing and other service fees were RUB 76.9 mln, down 12.7% YoY on the back of increasing average issue size.
- Information services contributed RUB 199.2 mln, up 11.0% YoY due to the weaker ruble.
- Sales of software and technical services were RUB 168.1 mln, up 5.9% YoY.
- Other fee and commission income was RUB 145.1 mln, up 4.7 times YoY. This line includes contribution from the Soft Commodities Market of RUB 109.0 mln.

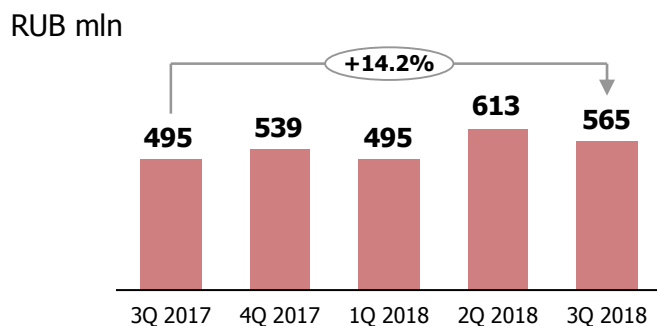


# Derivatives Market

## Trading volumes



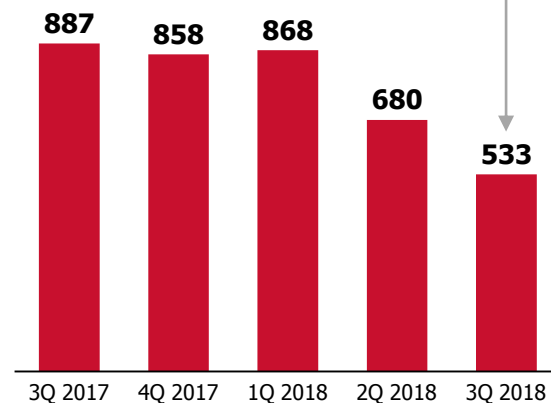
## Fee & commission income



## Open interest

RUB bln, daily average

Participants' strategies have become shorter-term, hence open interest has declined despite robust trading volumes



## Comments

- F&C grew 14.2% YoY. Trading volumes increased 2.0% YoY.
- Trading volumes of index derivatives declined 6.0% YoY.
- Trading volumes of single-stock derivatives rose 32.8% YoY, commodity derivatives – 3.5% YoY, currency derivatives – 2.9%. Trading in interest rate derivatives rose 34.4% YoY, although they still account for a negligible share of overall trading.
- F&C was supported by a higher share of equity (single-stock) derivatives.

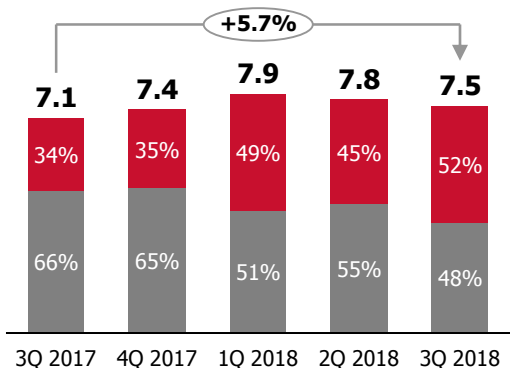


MOSCOW  
EXCHANGE

# Fixed Income Market

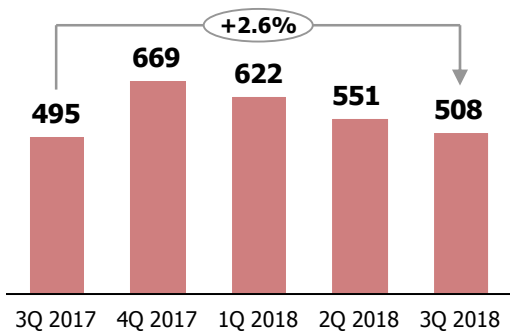
## Trading volumes<sup>1</sup>

RUB trn Government and CBR bonds (OFZ, OBR) Corporate, municipal and other bonds



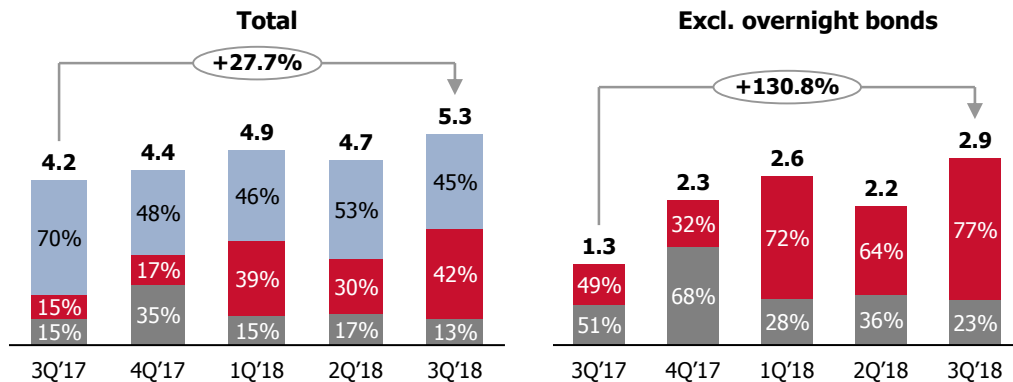
## Fee & commission income

RUB mln



## Primary market

RUB trn Overnight bonds Corporate, municipal and other bonds (excl. overnight) Government and CBR bonds (OFZ, OBR)

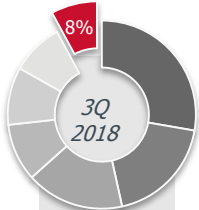


## Comments

- F&C income grew 2.6% YoY due to continued growth of primary placements.
- Trading volumes were up 5.7% YoY. Primary placements (excl. overnight bonds) rose 130.8% YoY.
- The discrepancy in growth rates of F&C and trading volumes was attributable to (1) higher YoY share of government and CBR bonds in the primary market and (2) emergence of shorter-term OBRs and corporate bonds.
- In September 2018, the CBR placed RUB 792.7 bln of short-term bonds – an all-time monthly record.
- The regulation for issuance of bonds with partial principal protection has become available. This new segment of the Fixed Income Market will potentially be interesting to a large retail clientele.
- 4 market participants have joined the new OTC bond platform to date.



Source: Moscow Exchange operational information and Consolidated Financial Statements  
 1 Trading volumes on the Fixed Income Market include placements

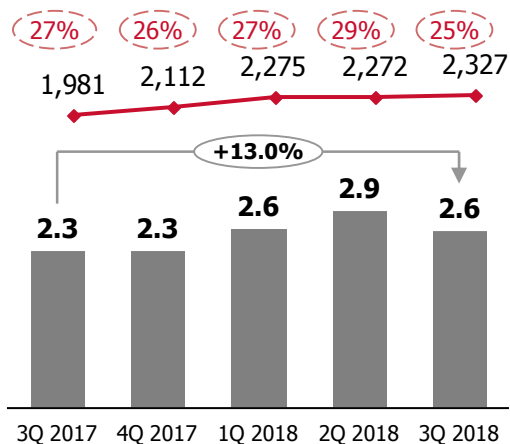


# Equities Market

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

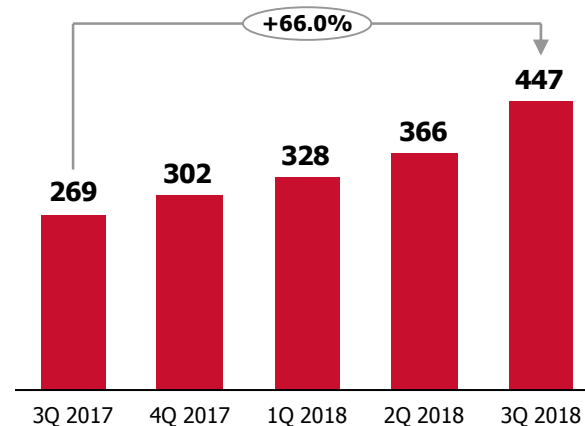
RUB trn ■ Equities — MOEX Index (average for the period)

XX% Velocity<sup>2</sup>



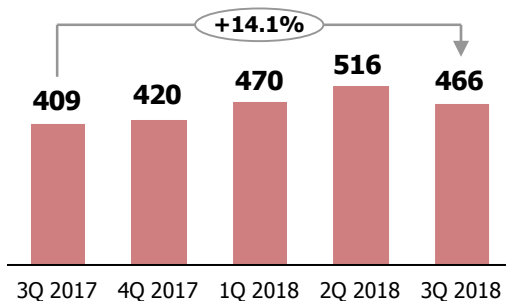
## Increasing popularity of Individual Investment Accounts

Individual Investment Accounts, thousands, end-of-period



## Fee & commission income

RUB mln

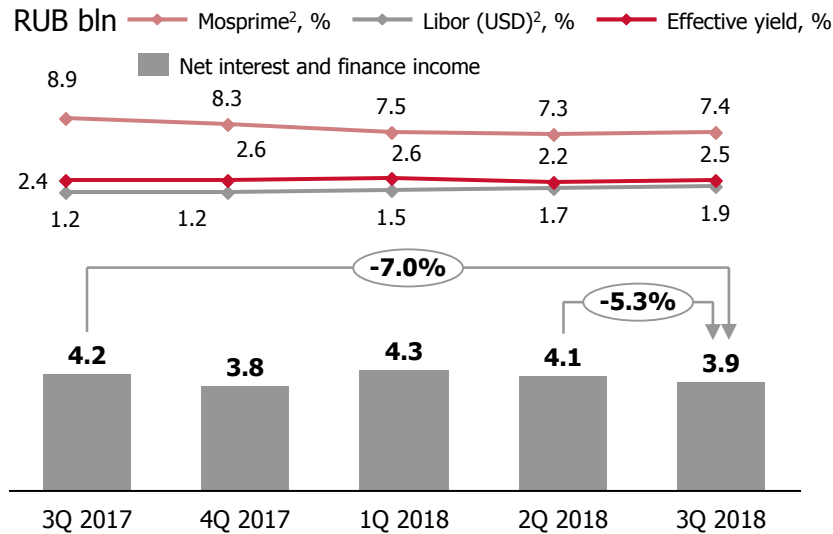


## Comments

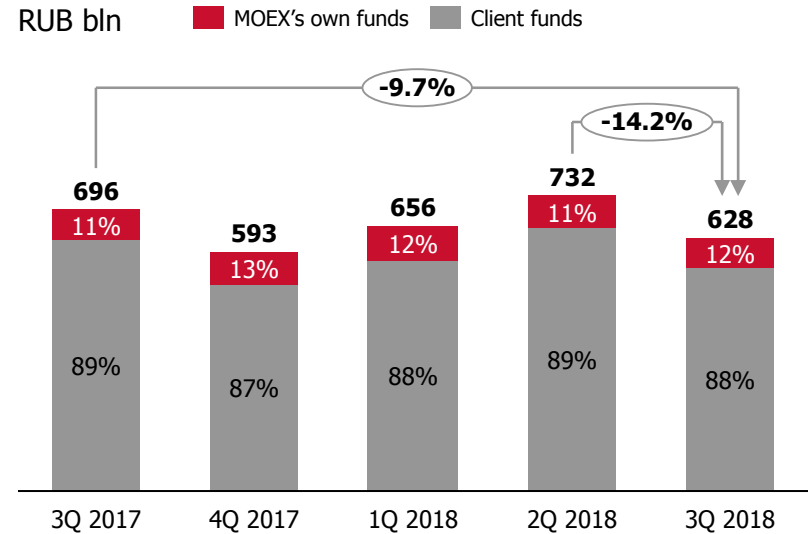
- Trading volumes increased 13.0% YoY. F&C rose by 14.1% YoY.
- Higher trading volumes were largely due to higher price levels: the average value of MOEX Russia Index grew 17.5% YoY.
- The ETF segment showed impressive growth in 9M 2018/3Q 2018, with its volumes rising 2.7x YoY.
- It is now possible to set up ETFs structured under Russian law. One such ETF, that tracks the MOEX Russia Index was launched in September. Several more Russian-law ETFs on various underlying assets are currently in the pipeline.

# Interest and finance income

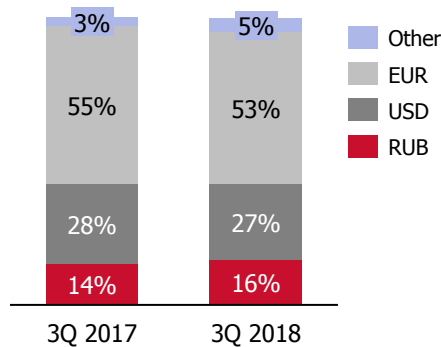
## Interest and finance income<sup>1</sup>



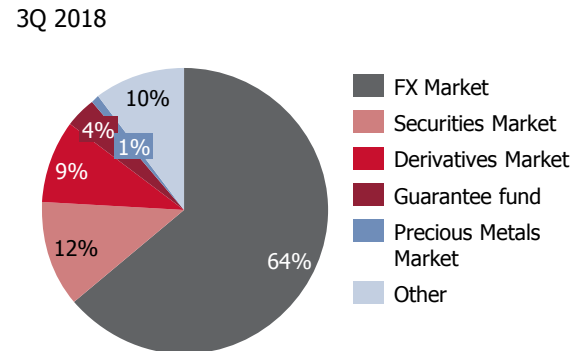
## Investment portfolio sources<sup>3</sup>



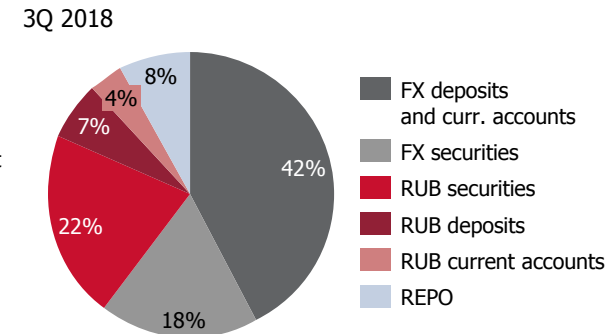
## Client funds by currency



## Client funds by source



## Investment portfolio by type of asset



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

1 Interest and other finance income, Interest expense, Net gain on financial assets available-for-sale, Net gain on financial assets at fair value through other comprehensive income and Foreign exchange gains less losses

2 Average daily rate for the period

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

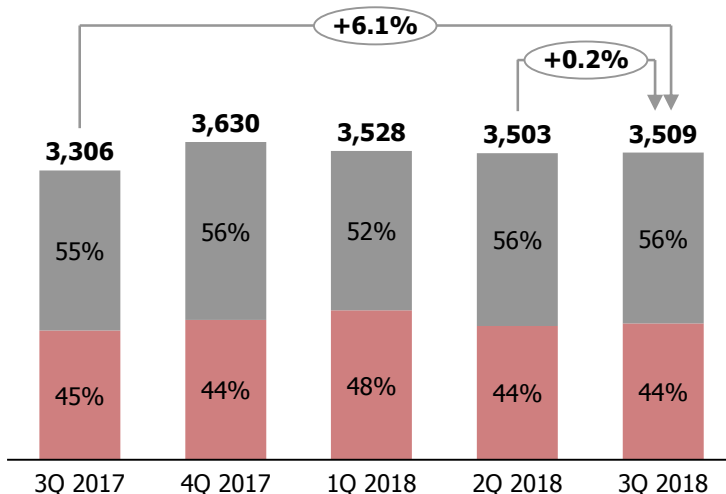


# Operating expenses

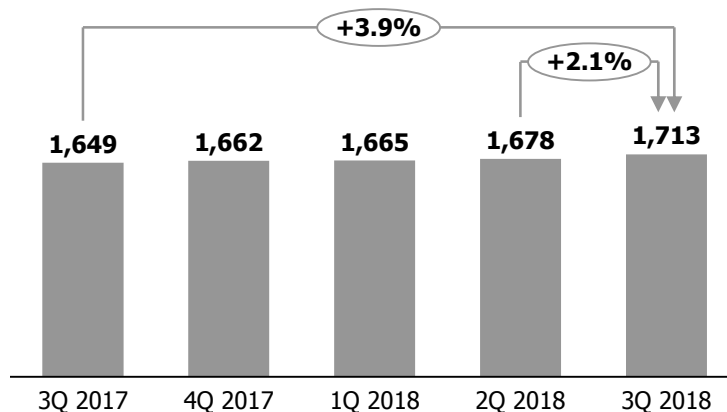
## Operating expenses

RUB mln

■ Administrative and other operating expenses  
■ Personnel expenses



## Headcount



## Major expense items

RUB mln	3Q 2017	3Q 2018	Change YoY
<b>Personnel expenses</b>	<b>1,475.5</b>	<b>1,555.3</b>	<b>5.4%</b>
<b>D&amp;A and IT maintenance</b>	<b>1,001.3</b>	<b>1,121.3</b>	<b>12.0%</b>
D&A & IT maintenance adjusted for change in amortization schedule	1,001.3	1,035.7	3.4%
<b>Remaining administrative expenses<sup>1</sup></b>	<b>829.4</b>	<b>832.2</b>	<b>0.3%</b>
<b>Total OPEX</b>	<b>3,306.2</b>	<b>3,508.8</b>	<b>6.1%</b>
Adjusted total OPEX <sup>2</sup>	3,306.2	3,423.2	3.5%
<b>Cost (adj.)/ Income Ratio</b>	<b>34.2%</b>	<b>35.0%</b>	<b>0.8 p.p.</b>

## Comments

- OPEX grew 6.1% YoY in 3Q'17.
- The growth was largely driven by D&A (+RUB 79.2 mln or 10.6% YoY) and equipment maintenance (+RUB 40.8 mln or +15.9% YoY). This was due to a change in amortization schedules at the beginning of 2018 that resulted in additional amortization of RUB 85.6 for 3Q'18.
- Professional services costs grew 19.0% YoY (+RUB 25.4 mln) due to pass-through costs from the Soft Commodities Market.
- Personnel expenses grew 5.4% YoY.

# Disclaimer

NOT FOR RELEASE OR DISTRIBUTION OR PUBLICATION IN WHOLE OR IN PART IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA OR JAPAN.

•This presentation has been prepared and issued by Public Joint Stock Company "Moscow Exchange MICEX-RTS" (the "Company"). Unless otherwise stated, the Company is the source for all data contained in this document. Such data is provided as at the date of this document and is subject to change without notice. Certain industry, market and competitive position data contained in this document come from official or third party sources believed to be reliable but the Company does not guarantee its accuracy or completeness. The Company does not intend to have any duty or obligation to update or to keep current any information contained in this presentation.

•Neither the presentation nor any copy of it may be taken or transmitted into the United States of America, its territories or possessions, or distributed, directly or indirectly, in the United States of America, its territories or possessions as defined in Regulation S under the US Securities Act 1933, as amended (the "Securities Act"), except to "qualified institutional buyers" as defined in Rule 144A under the Securities Act. Any failure to comply with this restriction may constitute a violation of United States securities laws. The presentation is not an offer or sale of securities in the United States. Moscow Exchange Group has not registered and does not intend to register any securities in the United States or to conduct a public offering of any securities in the United States.

•This presentation does not constitute an advertisement or a public offer of securities in any jurisdiction. It is not intended to be publicly distributed in any jurisdiction. This document is only being made available to interested parties on the basis that: (A) if they are UK persons, they are persons falling within Articles 19 or 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; or (B) they are outside the United Kingdom and are eligible under local law to receive this document. Recipients of this document in jurisdictions outside the UK should inform themselves about and observe any applicable legal requirements.

This presentation is not a prospectus for purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in any relevant Member State and any relevant implementing measure in the relevant Member State) (the "Prospectus Directive"). In any EEA Member State that has implemented the Prospectus Directive, this presentation is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

This presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

•This document does not constitute or form part of, and should not be construed as, an offer or invitation for the sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any offer, contract, commitment or investment decision, nor does it constitute a recommendation regarding the securities of the Company.

•The information in this document has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information or opinions contained herein. None of the Company, or any of its subsidiaries or affiliates or any of such person's directors, officers or employees, advisers or other representatives, accepts any liability whatsoever (whether in negligence or otherwise) arising, directly or indirectly, from the use of this document or otherwise arising in connection therewith.

•This presentation includes forward-looking statements. All statements other than statements of historical fact included in this presentation, including, without limitation, those regarding MOEX financial position, business strategy, management plans and objectives for future operations are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future. Important factors that could cause our actual results, performance, achievements or industry results to differ materially from those in the forward-looking statements include, among other factors:

–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.

•Forward-looking statements speak only as of the date of this presentation and we expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation as a result of any change in our expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding such future performance.

