



**MOSCOW  
EXCHANGE**

23 August 2019

# 2Q 2019 Earnings Presentation

# Delivery on strategic initiatives in 2Q 2019 and beyond

## - New Products -

- MOEX launched trading in both on-exchange and OTC derivatives on RUSFAR, the Money Market benchmark.
- USD-denominated RUSFAR now complements the RUB-denominated RUSFAR.
- USD/JPY started trading on the FX Market. In addition to standard order books, this FX pair is also available for OTC trading.
- 2 new Russian-law ETFs tracking Russian corporate bonds were listed. 12 Russian-law ETFs are now traded on MOEX.






## - New Services -

- MOEX OTC bond platform users can now clear transactions through the CCP, expanding its reach onto non-listed securities.
- OTC Derivatives Market participants obtained access to the full functionality of the Unified Collateral Pool.
- A Derivatives Market online registration service reduced the time needed for new client registration to seconds.

## - New Clients & Partners -

- In 2Q'19 71 corporates, including 8 newcomers, placed 147 bond issues, raising a total of RUB 905 bln.
- Both sovereign and corporate issuers from Belarus entered the Bond Market, raising a total of RUB 15 bln.
- MOEX deployed new points of presence (PoPs) in Hong Kong, Singapore, Shanghai, Dubai and Mumbai.
- Interactive Brokers Group, a global electronic broker, obtained sponsored market access (SMA) to MOEX.

# RUSFAR – update on the new benchmark’s development

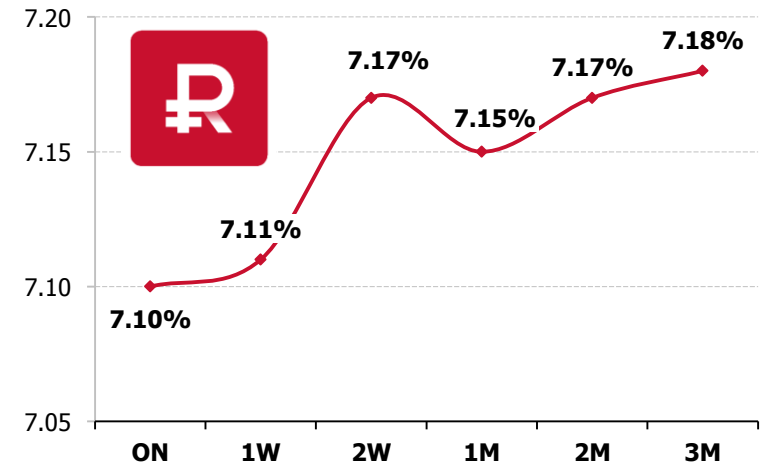
	Daily updated curve since launch on 18 April 2019
	Based on the most liquid segment of the Russian money market – GCC repo
	Six available terms: ON, 1W, 2W, 1M, 2M and 3M
	200+ market participants; 20 market makers
	Serves as underlying for overnight index swaps (OIS) and futures

## Progress in 2Q'19 and beyond

- Launch of futures and overnight index swaps on RUSFAR
- USD-denominated RUSFAR becomes the first “clean” benchmark for the cost of secured USD lending in Russia, i.e. unaffected by collateral type
- Complete and fully-functioning set of 20 market makers

## Russian Secured Funding Average Rate curve

as of 20 Aug 2019



## Trading volumes of RUSFAR-linked contracts

- 0.5

*RUB*  
*bln*
RUSFAR overnight index swaps trading volumes since 13 May 2019
- 61.2

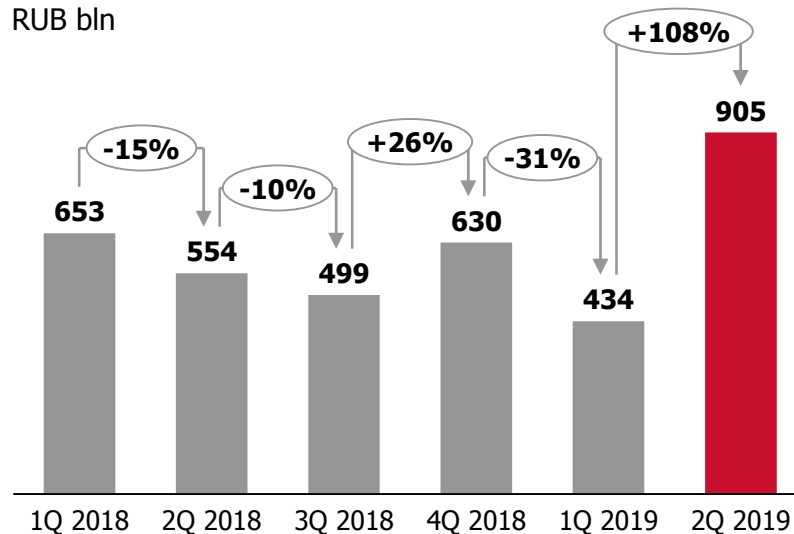
*RUB*  
*mln*
RUSFAR futures trading volumes since 21 May 2019



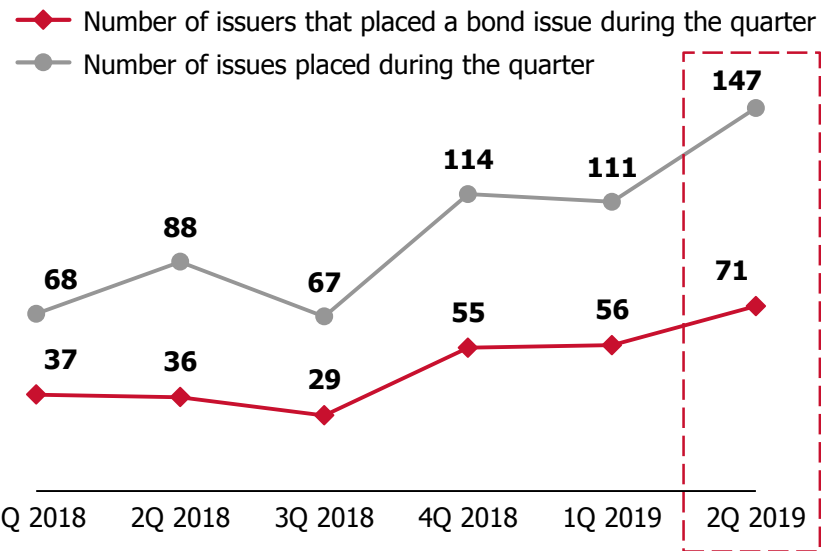
# Increased corporate activity on the Primary Bond Market

## Value of corporate bond placements

RUB bln



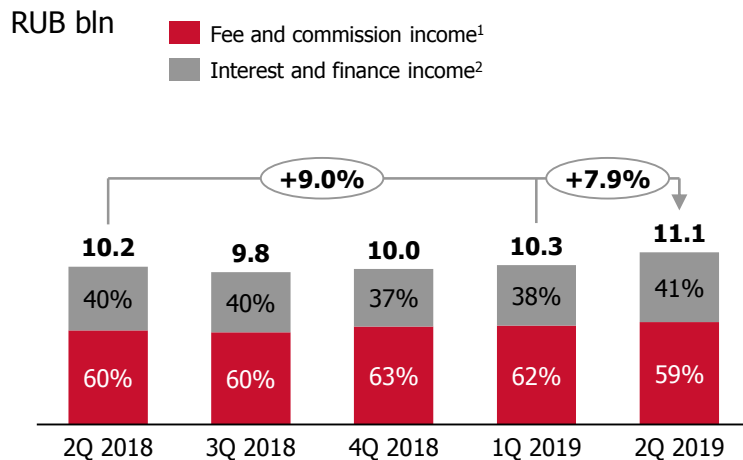
## Number of corporate bond placements<sup>1</sup>



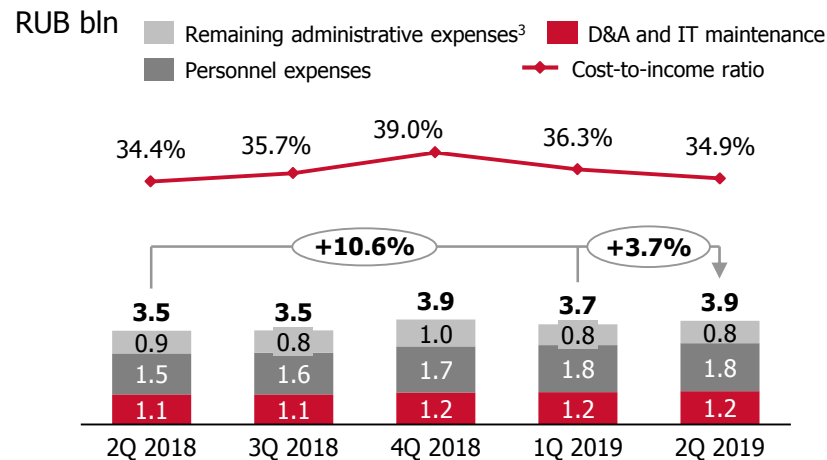
- Strong DCM activity by corporates was driven by delayed demand for capital and expectations of a key rate cut.
- In July, MOEX welcomed its first Belarusian corporate issuer as retailer Eurotorg placed inaugural RUB 5 bln bonds.
- In August, Fitch upgraded Russia's sovereign rating to BBB from BBB-, which is supportive for corporate placements.
- MOEX created a Sustainability Sector for financing projects in the fields of environmental and social sustainability.
- Later in 2019 we plan to begin trading corporate bonds in T+ mode and introduce large block trading mode for OFZs.

# 2Q 2019 summary of financials

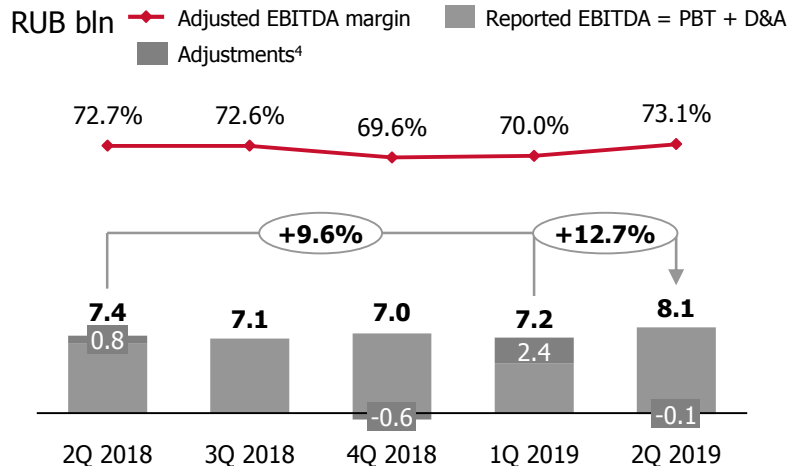
## Operating income



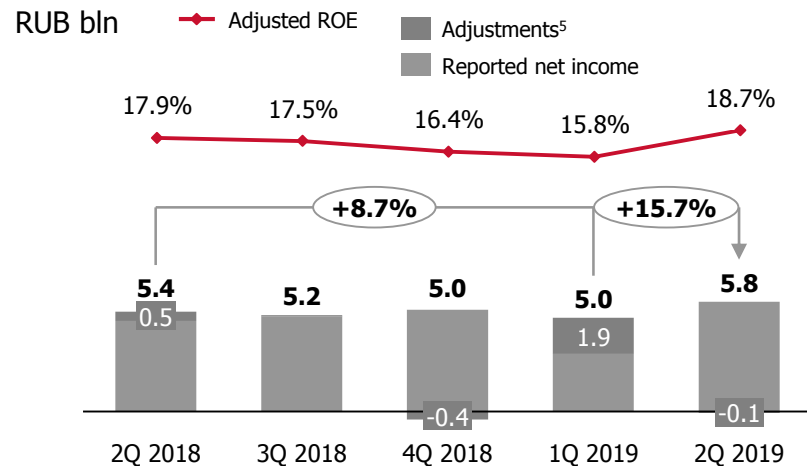
## Operating expenses (excl. other operating expenses)



## 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 FVTOCI and Foreign exchange gains less losses

3 Remaining administrative expenses are calculated as General and administrative expenses less D&A and Equipment and intangible assets maintenance

4 Adjustments are related to 1) IFRS 9 movement in allowance for ECLs and 2) one-off provisions' accrual/release in 1Q'18, 2Q'18, 4Q'18, 1Q'19, 2Q'19

5 Adjustments are related to 1) IFRS 9 movement in allowance for ECLs, 2) one-off provisions' accrual/release in 1Q'18, 2Q'18, 4Q'18, 1Q'19, 2Q'19 3) for 2018 only – additional D&A related to change in amortization schedules



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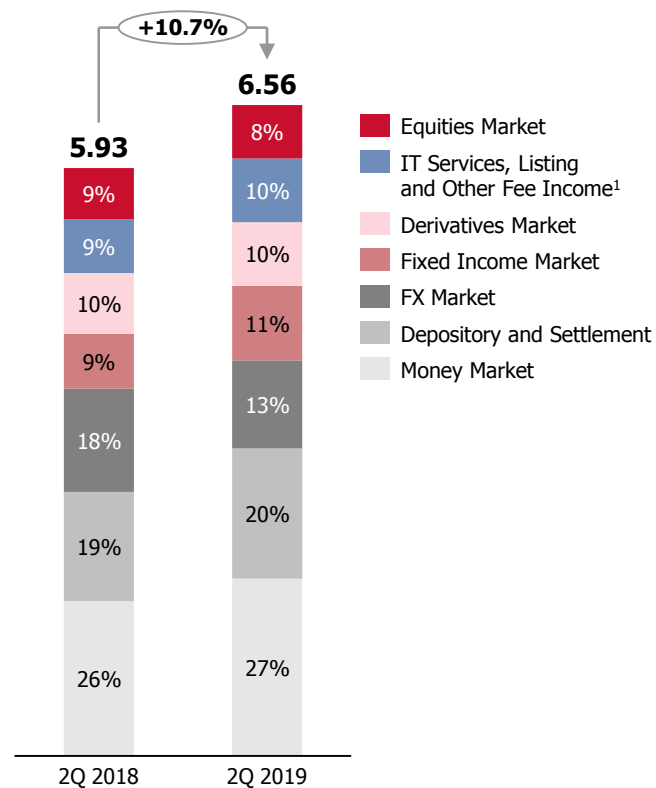
# Diversified fee and commission income

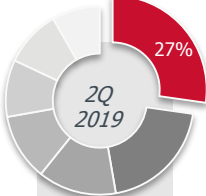
## Fee & commission income performance

RUB mln	2Q 2018	2Q 2019	Change YoY, mln	Change YoY, %
Money Market	1,562	1,789	227	14.5%
Depository and Settlement	1,099	1,313	214	19.5%
FX Market	1,045	886	-159	-15.2%
Fixed Income Market	551	752	200	36.3%
Derivatives Market	613	643	30	4.9%
IT Services, Listing and Other Fee Income <sup>1</sup>	542	639	98	18.0%
Equities Market	516	541	25	4.7%

## Fee & commission income breakdown

RUB bln



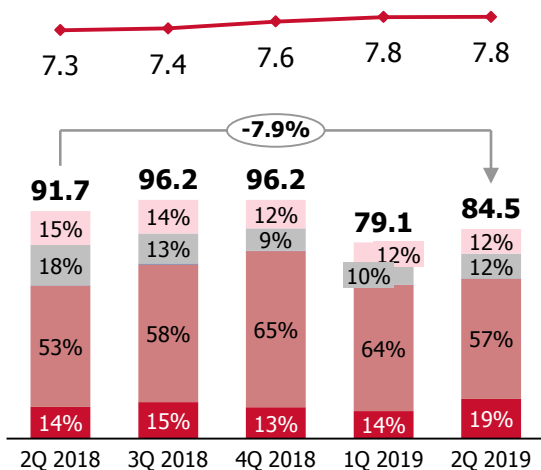


# Money Market

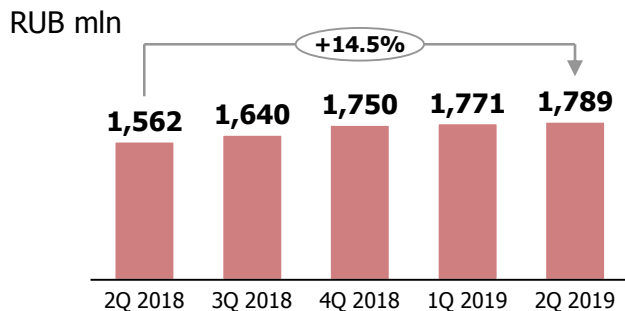
## Trading volumes

RUB trn

- MosPrime rate<sup>1</sup>, %
- Repo with the CBR
- Deposit and credit operations
- Single-security repo with CCP
- Inter-dealer repo
- GCC repo



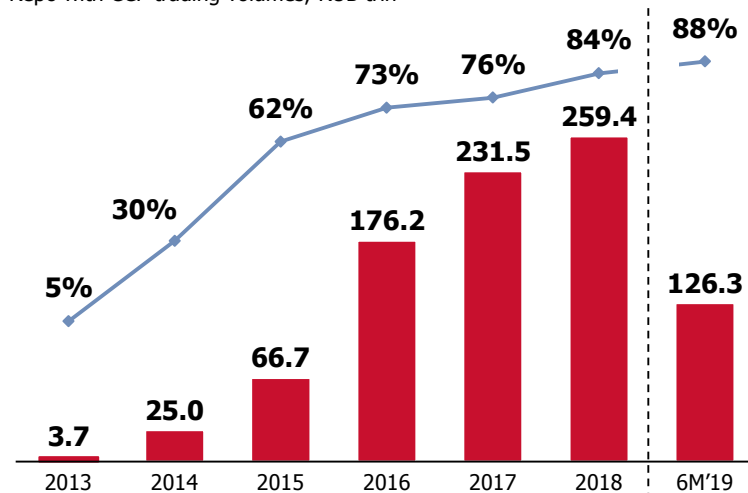
## Fee & commission income



## Trading volumes of repo with CCP

RUB trn, %

- Share of repo with CCP in total "interdealer" repo (including GCC repo)
- Repo with CCP trading volumes, RUB trn



## Comments

- F&C increased 14.5% YoY. Trading volumes declined 7.9% YoY.
- The YoY decline of trading volumes stems from lower value-added segments: (1) interdealer repo with volumes down 38.5% YoY, (2) deposit and credit market, down 27.1% YoY
- Volumes for higher value-added segment of CCP repo (including GCC repo) added 4.6% YoY.
- The discrepancy between F&C and volume dynamics was due to: (1) higher average repo terms, (2) UCP-linked fee revision, (3) higher share of GCC repo.
- Average term of on-exchange repo was 3.6 days (2Q'18: 3.1 days).



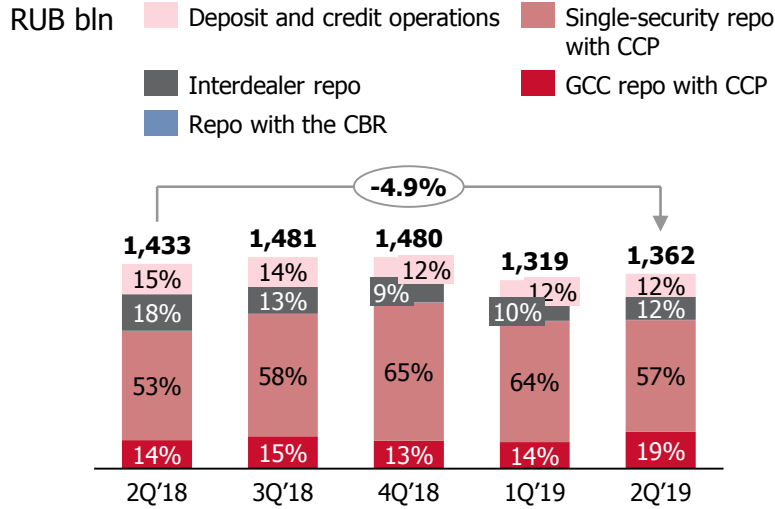
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Source: Moscow Exchange operational information and Consolidated Financial Statements, NFA

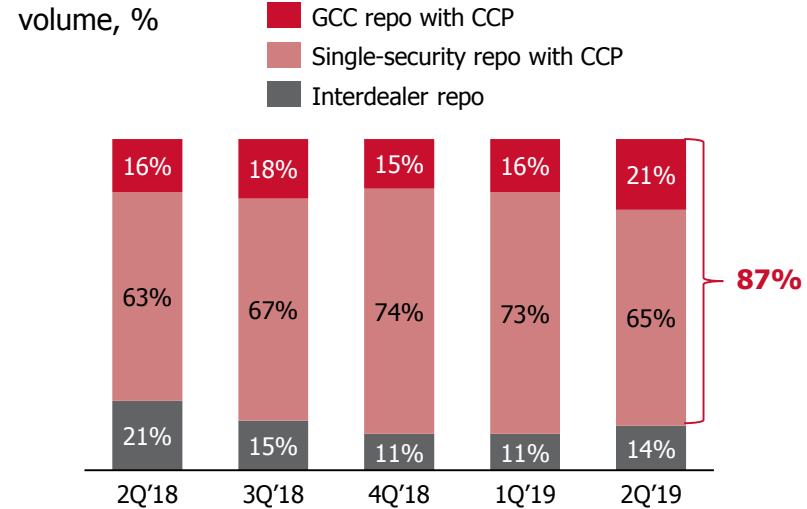
<sup>1</sup> Overnight rate, average for the period

# Money Market: recent trends

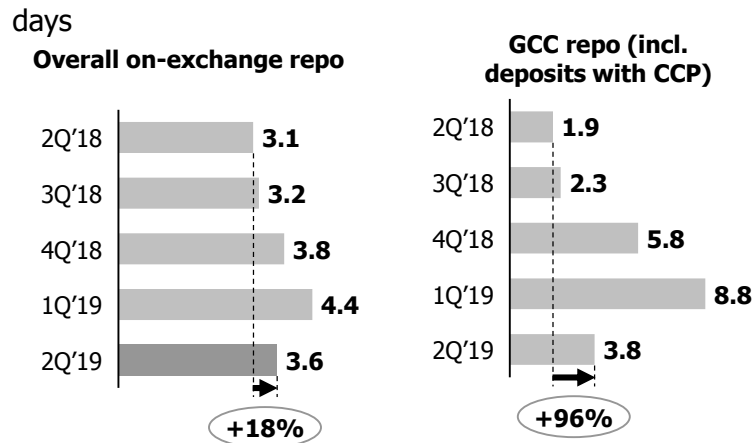
## Money Market ADTV



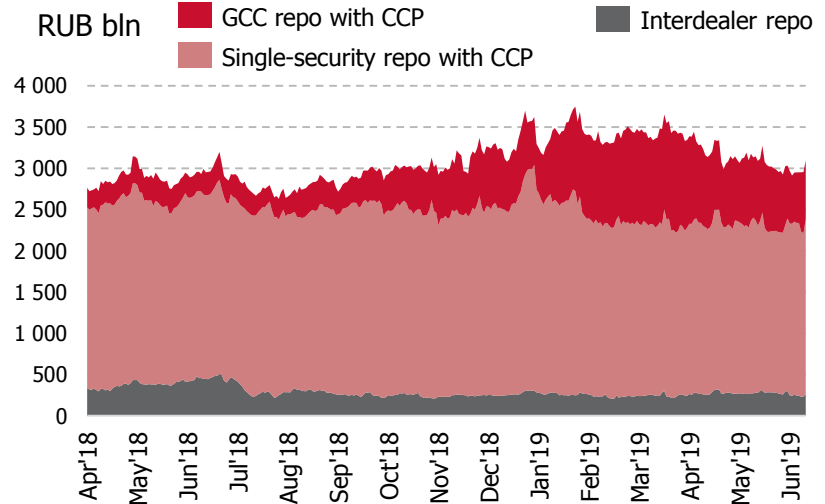
## High share of CCP repo



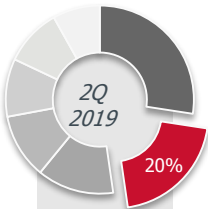
## Average repo terms have expanded YoY



## Stable to growing open interest supports F&C income

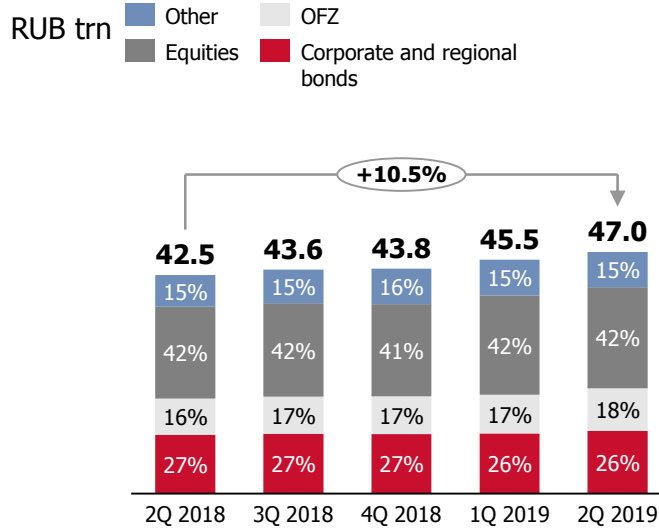




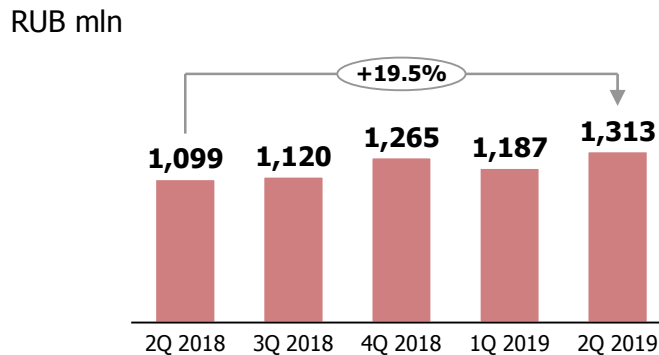


# Depository and Settlement

## Assets on deposit (average for the period)

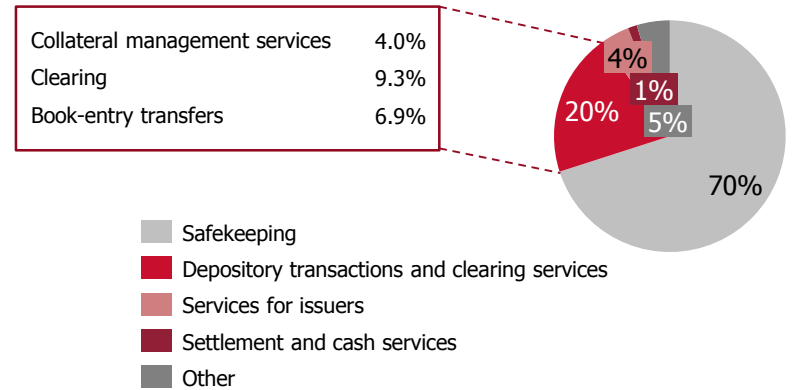


## Fee & commission income



## Fee & commission income breakdown

2Q 2019

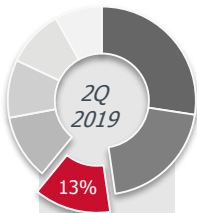


## Comments

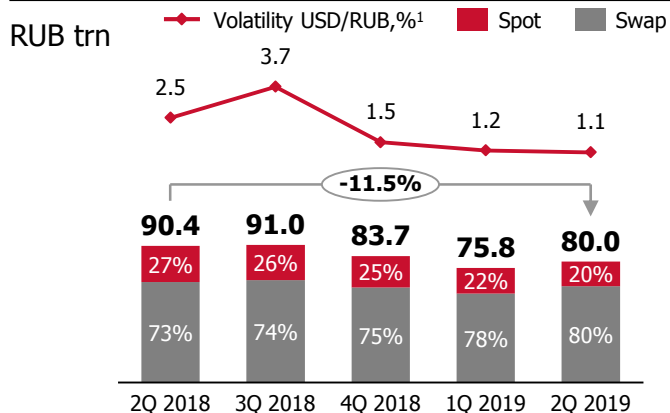
- F&C income grew 19.5%; average assets on deposit increased 10.5% YoY.
- The growth in assets on deposit was universal across all asset classes: federal government bonds were up 17.9% YoY, equities – up 10.1% YoY, corporate and regional bonds – up 6.6% YoY.
- Volumes of repo with CMS through NSD grew 42.7% YoY, supporting income from clearing and collateral management services.



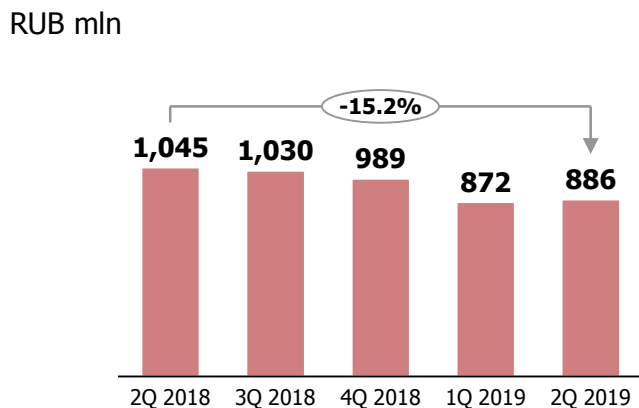
# FX Market



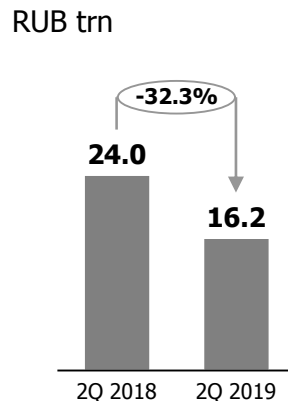
## Trading volumes



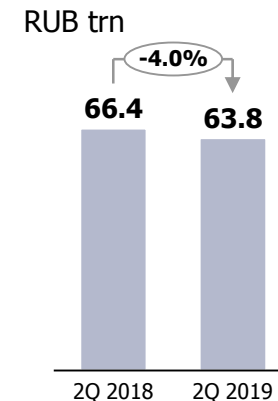
## Fee & commission income



## Spot trading volumes



## Swap trading volumes



## Comments

- The 11.5% YoY decline in trading volumes was led by spot, which was down 32.3% YoY versus a 4.0% YoY decline in the swap segment. The decrease is partially due to subdued volatility.
- F&C income was down 15.2% YoY. The effective fee was supported by the UCP-linked fee revision, yet the mix deteriorated towards swap.
- In 2019 YTD, the trend of MOEX's FX trading volumes is broadly in line with peers (Euronext FX, Integral, Cboe FX, 360T).
- MOEX's 6M'19 market share vs onshore OTC declined by 10pp YoY to 45% (6M'18: 55%).
- The number of active clients in 6M'19 increased substantially to reach 171,300 – up 83.2% YoY. The average daily trading volume of corporates was USD 55 mln in 6M'19, up 83.3% YoY.

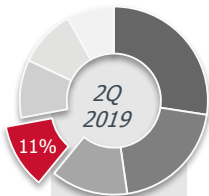


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Source: Moscow Exchange operational information and Consolidated Financial Statements, CBR

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

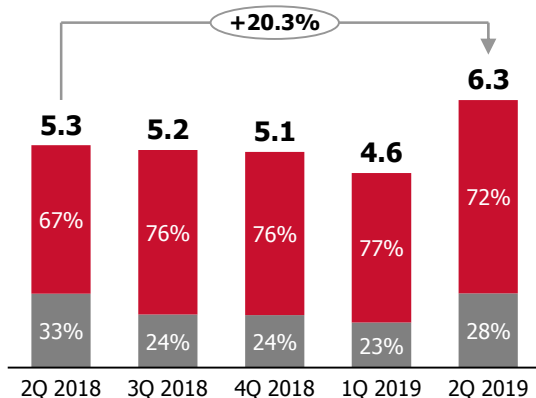
# Fixed Income Market



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

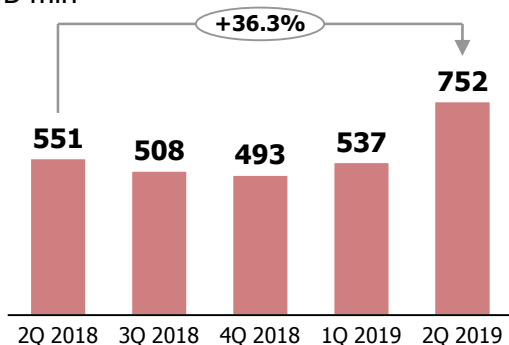
RUB trn

- Government and CBR bonds (OFZ, OBR)
- Corporate, municipal and other bonds (excl. overnight bonds)



## Fee & commission income

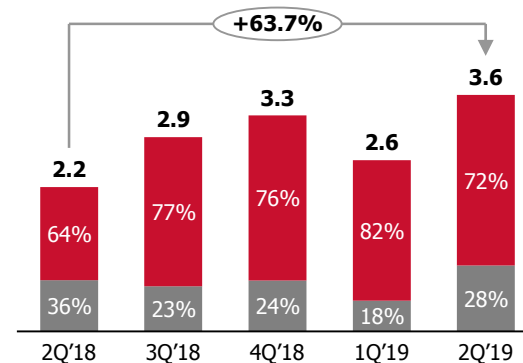
RUB mln



## Primary market

RUB trn

- Government and CBR bonds (OFZ, OBR)
- Corporate, municipal and other bonds (excluding ON bonds)



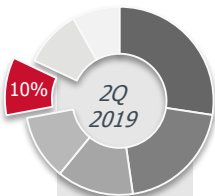
## Comments

- Fee income grew 36.3% YoY, trading volumes (excl. overnight bonds) were up 20.3%.
- Primary placement volumes (excl. overnight bonds) were up 63.7% YoY. Placements of government bonds (OFZ) were up 4.0x, placements of CBR bonds were up 43.6%, placements of corporate and other bonds (excluding overnight bonds) added 28.6%.
- The higher share of federal government bonds (OFZ) in total primary volumes as well as elevated activity by corporate issuers in the primary market supported the average fee in the Fixed Income Market.



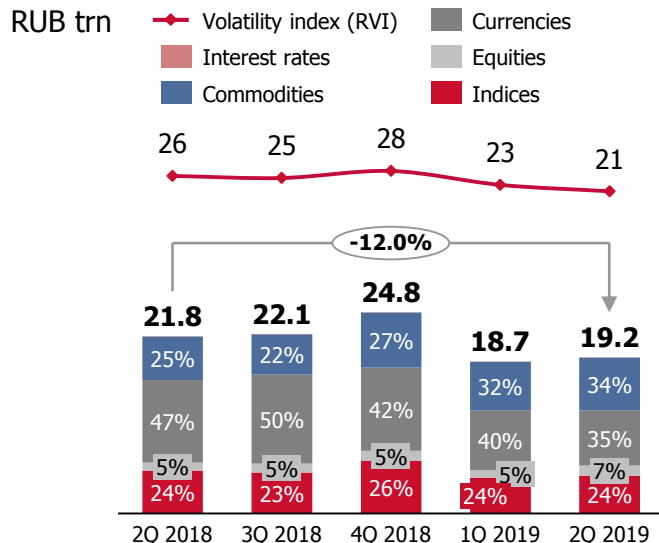
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Source: Moscow Exchange operational information and Consolidated Financial Statements  
 1 Trading volumes on the Fixed Income Market include placements



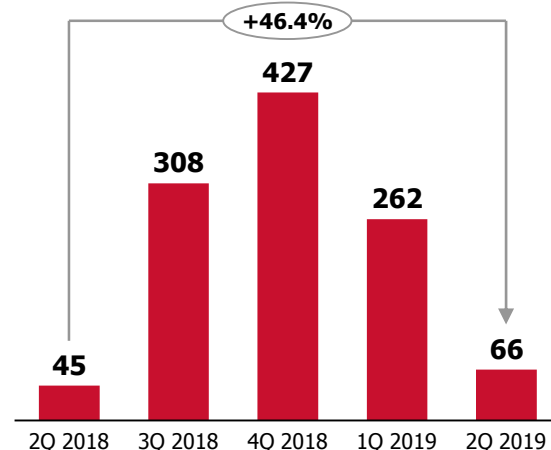
# Derivatives Market

## Trading volumes



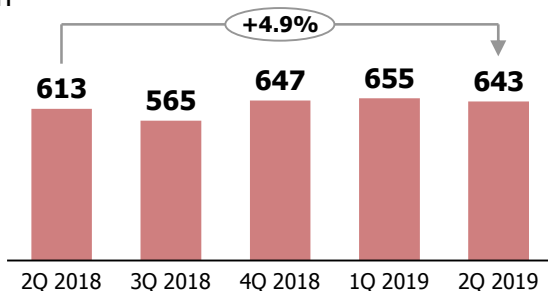
## Standardized OTC derivatives – NCC-cleared volumes

RUB bln



## Fee & commission income

RUB mln



## Comments

- F&C added 4.9% YoY, while trading volumes declined 12.0% YoY.
- Trading volumes of commodity and equity contracts grew by 20.8% YoY and 27.2% YoY, respectively. Volumes of interest rate contracts started to become visible (+320.3% YoY).
- Volumes in the OTC Derivatives Market grew 46.4% YoY.
- Option trading volumes declined 29.9% YoY, due to subdued activity in options with strikes far from at-the-money levels. Trading in at-the-money options continued to pick up.
- The discrepancy between F&C and volumes was due to (1) a higher share of commodity and equity derivatives, (2) growing contribution from the OTC Derivatives Market and (3) positive effect of the UCP-linked fee rate increase.

10%

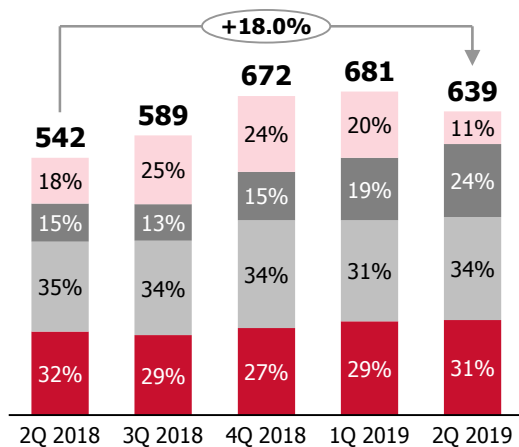
2Q  
2019

# IT Services, Listing and Other Fee Income

## IT Services, Listing and Other Fee Income<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



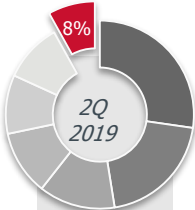
## Comments

- Listing and other fees related to the Securities Market increased 90.7% YoY due to the scheduled tariff update and a higher number of issues.
- Sales of information services added 14.8% YoY on the back of RUB weakening versus USD.
- Sales of software and technical services grew 13.8% YoY thanks to RUB weakening versus USD and tariff unification.
- Other fee and commission income declined by 28.5% YoY due to a diminished contribution from the Grain Market.



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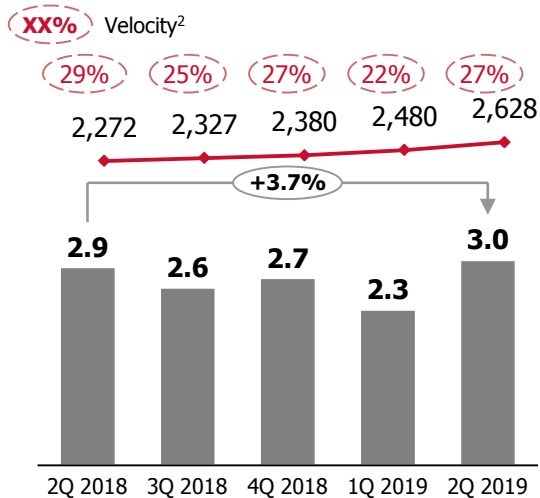
Source: Moscow Exchange, Consolidated Financial Statements  
1 Includes Other fee and commission income



# Equities Market

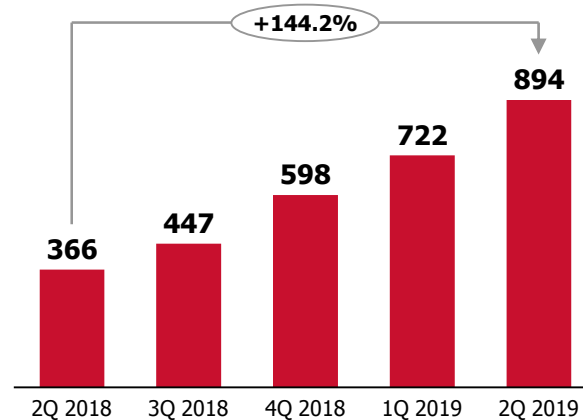
## Trading volumes<sup>1</sup>

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



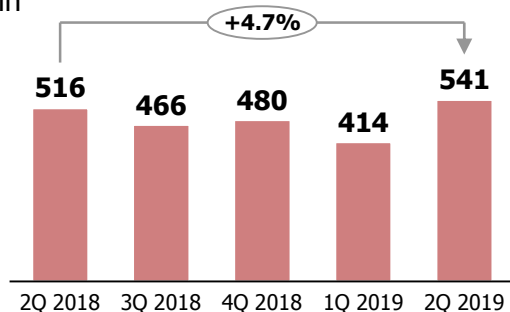
## Increasing popularity of Individual Investment Accounts

Individual Investment Accounts, thousands, end-of-period



## Fee & commission income

RUB mln

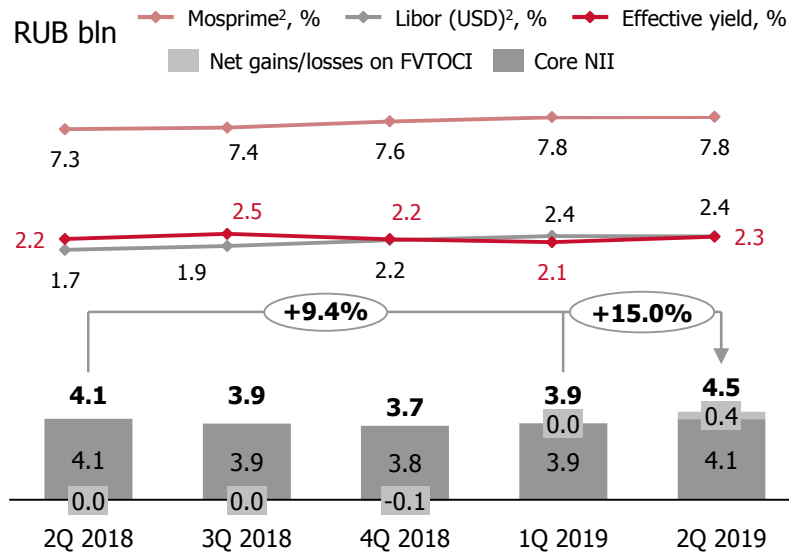


## Comments

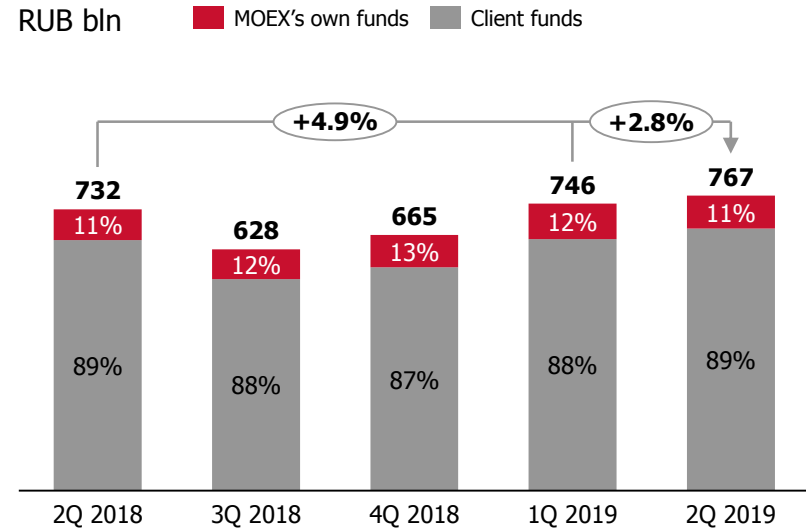
- Equity trading volumes were up by 3.7% YoY, F&C income grew by 4.7% YoY.
- The average value of MOEX Russia index advanced by 15.7% YoY, contributing to higher trading volumes.
- The volatility of the index rose by almost 50% in 2Q'19 compared to the year before.
- The velocity of trading volumes recovered in 2Q'19 compared to 1Q'19, but was still lower than in 2Q'18.
- MOEX's market share vs the LSE in trading of dual-listed stocks was 68% (2Q'18: 62%).

# Interest and finance income in 2Q'19

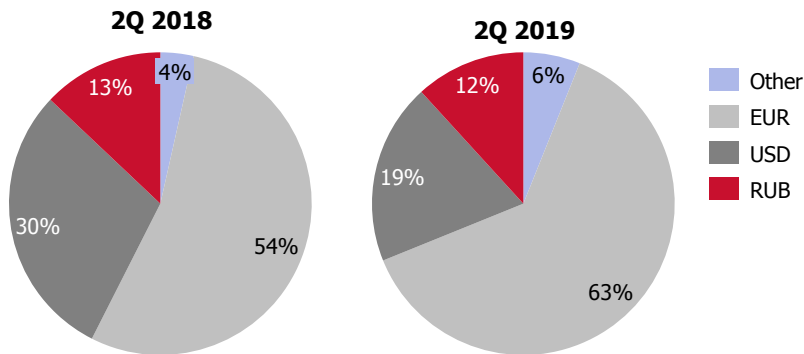
## Interest and finance income<sup>1</sup>



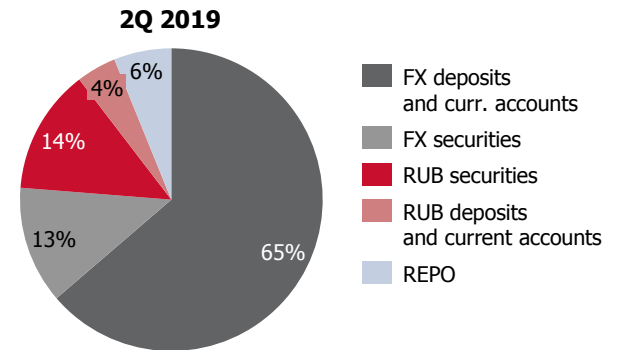
## Investment portfolio sources<sup>3</sup>



## Client funds by currency



## 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



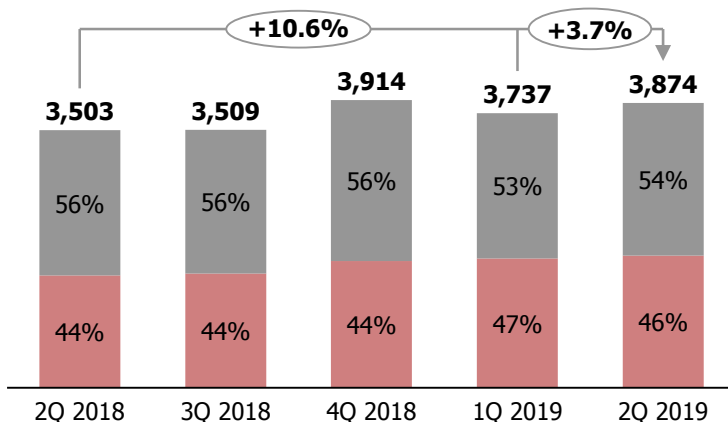
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# Operating expenses in 2Q'19 (2Q'18 base excl. provisions)

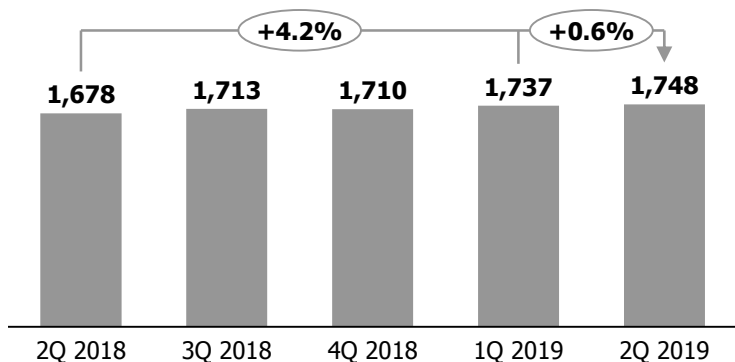
## Operating expenses

RUB mln

- General and administrative expenses
- Personnel expenses



## Headcount



## Major expense items

RUB mln	2Q 2018	2Q 2019	Change YoY
<b>Personnel expenses</b>	<b>1,526</b>	<b>1,798</b>	<b>17.8%</b>
<b>D&amp;A and IT maintenance</b>	<b>1,123</b>	<b>1,238</b>	<b>10.2%</b>
<b>Remaining administrative expenses<sup>1</sup></b>	<b>853</b>	<b>838</b>	<b>-1.8%</b>
incl. Professional Services	148	101	-31.9%
<b>Total OPEX</b>	<b>3,503</b>	<b>3,874</b>	<b>10.6%</b>
<b>Cost / Income Ratio</b>	<b>34.4%</b>	<b>34.9%</b>	<b>0.5 p.p.</b>

## Comments

- 2Q'19 Total OPEX added 10.6% YoY on the back of a 17.8% increase in Personnel expenses. In 1H'19, Total OPEX was up 8.3% YoY, comfortably below the FY'19 guidance of 9-12%.
- Personnel expenses added 17.8% YoY due to a combination of 4 factors: (1) 7.3pp calendar effect of 1Q'19 bonus provision reversal rather than 2Q as in the base year, (2) 4.5pp salaries revision, (3) 4.2pp headcount, (4) 1.8pp social charges hike.
- Professional services expenses contracted 31.9% YoY due to lower pass-through costs of the Grain Market.
- **We revise the FY'19 OPEX guidance to 8-10% YoY and the FY'19 CAPEX guidance to RUB 2.0-2.5bln.**





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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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