



**MOSCOW  
EXCHANGE**

## **MOSCOW EXCHANGE FULL YEAR 2012 IFRS RESULTS**

*Tuesday, 2 April 2013*

**Chaired by:**

**Alexander Afanasiev, Chief Executive Officer**  
**Evgeny Fetisov, Chief Financial Officer**  
**Andrey Braginsky, Managing Director of Communications**

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**Operator**

Thank you for standing by and welcome to the Moscow Exchange Full Year 2012 IFRS Results conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session, at which time if you wish to ask a question, you will need to press \*1 on your telephone. I must advise you that this conference is being recorded today, Tuesday 2<sup>nd</sup> April 2013. Let me hand the conference over to your first speaker today, Andrey Braginsky, Managing Director of Communications. Please go ahead sir.

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**Andrey Braginsky – Moscow Exchange**

Hello everyone and thank you for joining us today to discuss Moscow Exchange Full Year 2012 earnings results. By now you should have received a copy of our management presentation and the press release. If you don't have the documents, may I encourage you to visit our website, the Investor Relations section, to download them.

Before we start, I will read a short disclaimer. Some of the statements made during today's conference call may contain suggestions or other forward-looking statements regarding future events or the future financial performance of the Exchange. The Company wishes to caution you that these statements are only predictions and that actual results or events may differ materially. The Company does not intend to update these statements prior to the next conference call.

On the line here are Alexander Afanasiev, our Chief Executive Officer, Andrey Shemetov, Deputy CEO, Evgeny Fetisov, Chief Financial Officer of the Exchange, and other members of the Management Team. After prepared remarks, we will open up to Q&A. I will now turn the call over to Alexander.

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**Alexander Afanasiev – Moscow Exchange**

Hello everybody. Usually and traditionally, explanation of the figures and reporting on the figures is definitely the responsibility of the Chief Financial Officer but today we have a unique situation because we are doing it for the first time after getting the status of a public company. So that is why in my position, I will start our reporting today.

So the year 2012 was not an easy year for all exchanges worldwide because of the recession in the market, which meant practically all exchanges in the world as a total turnover worldwide dropped by approximately 21%. The emerging markets were especially hit and Moscow and the Russian market was not an exception. Of course, also the profits of the exchanges dropped down to 40, 30, 20% in different cases. It was not a very easy year also for Moscow Exchange because we had a very strong challenge, mainly the integration process. The integration, the merger process which started in 2011 should bring some results, some synergies from the optimisation in 2012. However, not everything was absolutely ideal during the process. We had a change of the management in the middle of the year if you know but, despite such challenges, Moscow Exchange could achieve a very good, positive result, being one of very, very few exceptions in the world, and also realised a lot of very important projects.

So let me start with receiving of the licence of a central depository in November last year by the National Settlement Depository. So starting from yesterday, it is already fully operational. We centralised the clearing functions and the National Clearing Centre got the function of the CCP in all the markets under the coverage of the Moscow Exchange. We introduced the repo deals with the central counterparty. Euroclear and Clearstream opened their accounts with the National Settlement Depository.

We structured the most important project, T+n, in Russia and convened the markets and the markets are currently together with the regulator in consensus with us as Moscow Exchange in regard to development of this really major project, which gives us an opportunity to start the project already this year, approximately a week ago. We introduced some very important regulatory changes, which made it much easier, the issuing of the equities in Russia. So the Clearing Law was introduced, the Central Depository Law was introduced.

IT strategy was prepared and we are with some of the important IT projects, like the introduction of a new system for derivatives called SPECTRA. We finalised the preparation for an IPO last year, which gave us an opportunity to finalise the IPO after the roadshow and after filling the IPO books in February this year, which was, from our point of view, quite an important step in the development of the Russian infrastructure but also the Russian financial market because this set up a good example that the IPO, the successful IPOs, can take place also locally in the local shares and using the local exchange. We opened the repository, the first repository in the country.

So all this was supported or was followed by a positive financial result. In 2012 YoY our operating income was up +27% from 2011, reaching RUB 21.5 billion. Organic growth was +19%. In terms of expenses, with the amount of RUB 9.4 billion, we are above 2011 by 23% but organic growth was 9%. Our EBITDA was RUB 13.7 billion, 32% up from 2011, organic growth was +38%. Finally, the net profit was achieved in an amount of RUB 8.2 billion, which is +22%. The organic growth was 18%.

So that was achieved due to the unique business model of Moscow Exchange covering almost all markets, all parts or segments of financial markets in Russia. So besides equities, we are covering the bond market, the FX market, derivatives and money market. Of course, we suffered some decrease in the turnover and in the fee result in the

securities market. Together with the international trends, it was -28%. The average MICEX Index was down by 10% in the year. So this is a result, first of all, the market development. Our result in derivatives market was -8.5%. Due to decreased volatility of the market, the volatility index of RTS was down by 26% during the year. However, we could achieve 31% over the year 2011 in the FX market and almost double the fee result in the money market. Also the interest result was up by 34%.

So that is, in general, our results and let me pass through the word to the Chief Financial Officer, Evgeny Fetisov, who will provide you with more details.

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**Evgeny Fetisov – Moscow Exchange**

Hello everybody. For your convenience, we have placed in the presentation the information on fees and commission and trading volumes to show greater detail in comparing 2012 with 2011. The numbers in the presentation will show the first two quarters of trading volumes and fees and commissions combined for MICEX and RTS. Management accounts may have differences to IFRS on the scale of 0.7 to 1.3% in total fees and commissions and total operating income.

The diversified operating income base resulted in 17% growth of operating income with fees and commission income growing 1.4% YoY and the interest income growing a healthy 34%, as Alexander already mentioned.

The fall in securities market fees and commissions by 28% and derivatives market by 9% in 2012 was offset by 31% growth on FX and 108% growth on money market.

The interest income growth of 34% YoY was driven by the increased net interest margin from 2.9% in 2011 to 3.8% in 2012 as a result of interest rates growth during 2012, active but prudent liquidity management policy and by the increase of the investment portfolio by 12%.

The investment portfolio as at the end of 2012 was split as follows: ruble current account 16%, ruble deposit 14%, foreign currency accounts and deposits 43%, securities denominated in rubles 23% and securities denominated in foreign currency 4%.

The derivatives markets globally were not supportive for the growth of trading volumes. Nine out of 10 derivatives markets demonstrated decreasing trading volumes. Overall decrease of the number of the derivative contracts traded onexchange was down 33% by our calculation.

The declining in trading volumes on the securities market and lower volatility caused a 3% decrease in the number of contracts traded on Moscow Exchange derivatives market. It needs to be noted that 2011 was a year of very high growth of 69%, so we are comparing 2012 with a relatively high base.

Jumping ahead, we can say that we see a good pick-up in derivatives trading volumes in Q1 of this year, with the number of contracts traded growing 22% in comparison with the same period of last year. Key growth drivers of derivatives trading volumes in 2013 will be regulatory changes, liberalised investment policy for pension and mutual funds, expected increase in foreign investors' trading volumes due to infrastructural changes, admission of foreign currency as collateral and clearing of OTC derivatives.

Now on to the securities market (page number 7) equity trading volumes faced headwinds globally, with overall trading volumes falling more than 20%. The trading volumes in equities and bonds on Moscow Exchange decreased by a comparable 21%. It needs to be noted that in 2012 we have stopped market making programme on RTS Standard market – former RTS market in equities with T+4 settlement - which led to a decline in overall equities trading volume. Q4 trading volumes in securities picked up by 12% QoQ, with Q1 numbers returning to the soft patch with ADTV declining by 8%.

The results of the T+2 launch at the beginning of last week on March 25 and its impact on the growth of the trading volumes are to be seen in the second half of this year. As of now, we can say that the launch itself was successful and the management is content with the volume dynamics.

In addition to the changes in infrastructure, namely the introduction of T+2 settlement and CSD, privatisation programme and regulatory changes supporting growth of the domestic investor base will be the key drivers for the growth of the securities trading volume in 2013.

Now to the money market, page 9 of the presentation. Tightening of the liquidity in the banking sector drove the growth of repo volumes by 45%. The fees and commissions income grew by 108% due to the change in the fee structure, i.e. the introduction of new tariff plans in April 2012. Q4 showed the record trading volumes of RUB 56.5 trillion on money market. Whereas the Q1 is seasonally weaker it has still demonstrated the growth of 34% over the same period of last year, pointing to the healthy start of the year for this product. The projects to look out for in 2013 are repo with the CCP, on-exchange repo with collateral management in NSD and development of deposit and credit operations.

FX market on page 10 – FX trading volumes grew 34% YoY with the support of high volatility in US dollar/ruble, the introduction of two-tiered access to the market in February last year, offering of tariff plans stimulating liquidity as well as the introduction of long-dated swaps. Our market share increased to 25% in 2012 from 21% in 2011.

Q1 numbers demonstrated 10% growth in volumes over the same period of 2012. Attraction of new non-banking organisations as participants on FX market together with the extension of trading hours and the launch of new instruments and stimulating tariff policy will be the key drivers for the growth of FX trading volumes in 2013.

On NSD (next page), the assets under custody grew 8,7% to RUB 12.1 trillion by the end of 2012. The fees and commissions for depository services declined a bit by 1.1%, mainly due to the decrease in trading volumes in the

securities market. The NSD, as was mentioned, has been granted the CSD status late 2012 and it went fully operational yesterday in terms of working as CSD. There are several factors that could support growth in 2013:

- the CSD has exclusive rights to open nominee accounts in registrars;
- investors participate directly in corporate actions;
- the issue of finality of settlement is solved;
- there are lower costs for investors - no more high registrar fees;
- the US pension funds can invest due to the 17f-7 SEC rule eligibility of NSD; and
- Euroclear opened nominee account in December and Clearstream in February this year, so these will provide settlement services for OFZ transactions.

On other income, page 12, other income grew by 48%, with major support from technology services sales +73%, information services +15% and commodities market where commissions grew by 174%.

Next page – expenses in 2012 increased by 23% (or +9% if we consider pro forma data for 2011), mainly due to increase in personnel expenses driven by merger-related payments (both for redundancies and merger-related bonuses) and introduction of the stock options programme. Significant savings came from lower spending on professional services (decreased by 26%), rent and office maintenance and advertising and marketing costs, due to the completion of the merger. It needs to be noted though that part of the redundancies was realised only at the end of Q4 2012.

Capital expenditure increased by 208%. However, most of it is related to commissioning, modernisation and renovation of the new office building of NSD on Spartakoskaya Street. Excluding these costs, Capex remained flat or actually decreased by 1%.

The key capital need for 2013 is capitalisation of National Clearing Centre (the CCP for all markets) to meet the growing volumes on repo, derivatives and securities on T+2 trading. The expected capital increase is around RUB 9 billion this year and with further increases in the coming years, depending on the growth of the trading volumes. Another medium term capital needs are IT capex: investments into the Data Centre and trading systems upgrade.

So just very briefly on the Q1 2013 results, so far the results have been moderately encouraging. Though we continue to see quite low activity on the securities market, trading volumes in derivatives.

FX and repo have increased compared to Q1 2012.

Trading volumes in equities and bonds decreased by 7.3% vs. Q1 2012.

Derivatives trading volumes increased by 22%.

FX trading volumes grew by 10%.

Repo trading volumes grew 29%.

The assets under custody in NSD grew 56% to RUB 17,3 trillion by the end of this quarter.

Now I would like to discuss our outlook for 2013. We believe that the year ahead will be challenging but positive for the business as the global economy continues to go through the recovery in some regions and difficult part in others. We expect moderate growth in securities trading with the launch of T+2, growth of the market and higher activity of the pension fund and sovereign wealth funds. We expect the derivatives markets to grow, supported by the growth of the securities market and higher volatility. We expect moderate growth on FX and money market. Interest income is expected to post a slight decline following the full switch to T+2 trading in the second half of 2013. Expenses are expected to grow at or below inflation level, with personnel expenses staying flat YoY and capex is estimated at about RUB 1 billion, with about 20% of that allocated to new IT projects and the rest being more or less regular capex.

Now I think we are ready for Q&A.

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#### Questions and Answers

##### **Operator**

Thank you very much. If you wish to ask a question or make a comment on today's call, please press \*1 on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the # key. Once again, it is \*1 to ask a question. Your first question comes from Alex Kantarovich of JP Morgan. Please ask your question.

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##### **Alex Kantarovich – JP Morgan**

Thank you very much. My first question is on your balance sheet. I noted a rather sharp increase QoQ in total assets, +11% if I am correct, and cash and equivalents went up sharply while financial assets went down by more than half, rather unusual dynamics. That would be my first question, if you could explain those movements.

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##### **Evgeny Fetisov – Moscow Exchange**

Yes. This is Evgeny Fetisov. Actually, these changes are caused by three factors. One is that certain securities from our investment portfolio were realised by our Treasury. Second, we have an increase of client balances by the end of Q4 last year and we have one specific client which brought a large amount of money onto the Exchange on a scale of RUB 40 billion.

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##### **Alex Kantarovich – JP Morgan**

Right and also deposits with Central Bank, as of Q3 they were small, below RUB 4 billion, and suddenly by the year-end RUB 49 billion. That was quite a move. Any reason for that?

**Alexander Afanasiev** – *Moscow Exchange*

So actually our Treasury is placing the short term money or basically the short term planning in deposits usually but the banking deposits due to time periods when it is possible to conclude the deal because already, as you know, the money market in Russia is mainly overnight, starting from today. So they are using some of the banks, not always the Central Bank of Russia, because the deposits to be placed in the Central Bank of Russia will be placed pretty early. However, by the end of the year, as a market so to say tradition, so it is typical for the market, so many funds because of longer Russian New Year and Christmas holiday are placed rather more safely with the Central Bank.

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**Alex Kantarovich** – *JP Morgan*

Okay. I just want to make sure that this is not any sort of regulatory requirement similar to banks. This was a choice and not regulation.

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**Alexander Afanasiev** – *Moscow Exchange*

No, it's not.

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**Alex Kantarovich** – *JP Morgan*

Okay, thanks for that. Also, I looked through the statements about your opex and you mentioned significant one-offs related to the merger with RTS and just to clarify that these one-offs are related to 2012. I counted nearly RUB 500 million, if I am not mistaken, give or take – if it falls for 2012 and not for the previous year?

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**Evgeny Fetisov** – *Moscow Exchange*

Just to clarify, Alex, you mean the one-offs related to certain expenses related to the merger, right?

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**Alex Kantarovich** – *JP Morgan*

That's right.

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**Evgeny Fetisov** – *Moscow Exchange*

The major part of this comes from the lay-offs and bonuses payments, so this is two-fold.

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**Alex Kantarovich** – *JP Morgan*

But it was for 2012 – right?

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**Evgeny Fetisov** – *Moscow Exchange*

Yes, that is correct.

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**Alex Kantarovich** – *JP Morgan*

Okay. With the significant needs of additional capitalisation for your daughter, how will you account for this in your financial statements, in what plan?

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**Evgeny Fetisov** – *Moscow Exchange*

There will be no changes in the financial statements as you see IFRS. So there will be notes that will show, say, capital moves but it will be capital management with note 35 with Russian regulatory requirements but so far you will not see any changes.

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**Alex Kantarovich** – *JP Morgan*

Okay. My last question is if you can share with us your views on possible changes for the pension investment rules. Specifically I am referring to the only positive returns rule currently in place, if you have any visibility on the abolition of this rule.

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**Ekaterina Novokreshchenykh** – *Moscow Exchange*

There is some progress on this, probably just not as fast as we would like to see it but still there is progress and the documents stipulating this position of the necessary positive results of the assets of the pension fund haven't got to the Government of the Russian Federation. It is the last days before getting to the State Duma and this is very important because it has gone past the stages where there were different opinions, now it is just formal process of checking in terms of just being adequate with other laws of the Russian Federation *and then go to the State Duma. So now this programme is not a discussion matter but just the matter of being approved.*

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**Alex Kantarovich** – *JP Morgan*

That's great, thanks, Ekaterina.

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**Alexander Afanasiev** – *Moscow Exchange*

One small clarification – that was Ekaterina Novokreshchenykh, Senior Vice President.

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**Alex Kantarovich** – *JP Morgan*

Thanks again, Ekaterina. That's all from me, thank you.

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**Andrey Braginsky****Andrey Braginsky** – *Moscow Exchange*

Thank you, Alex. May we have the next question please?

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**Operator**

Your next question comes from the line of Bruce Hamilton of Morgan Stanley. Your line is open.

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**Bruce Hamilton** – *Morgan Stanley*

Yes, thanks. Good afternoon guys. I have a question on costs and one on net interest income. On costs, you guided sort of to expect personnel costs to be fairly flattish in 2013 if I heard correctly. I assume we should expect some growth in admin and other costs. As we think about maybe a normalised level of cost growth is sort of inflation plus 6-7%, should we expect the overall cost base is growing somewhere between 0 and that sort of inflationary level would be my first question?

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**Evgeny Fetisov** – *Moscow Exchange*

Yes, that is correct. So we expect the personnel costs to remain flat and the other expenses to grow up to the inflation level, which we see as 6 or 7%.

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**Bruce Hamilton** – *Morgan Stanley*

Thank you. And then on net interest income, I guess obviously you start the year with higher sort of investment portfolio balances for a number of reasons you identified. Just to check, the increase due to client balances going up at the end of Q4, are there items within that that will simply disappear? Is there something that drives people to move balances in at the year-end and then they remove them again or is the investment portfolio number of sort of RUB 90 billion, is that a good start point to use for the year, i.e. are you still at that sort of level now, for example, in Q1?

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**Evgeny Fetisov** – *Moscow Exchange*

It's a good starting point. I can say that the results for Q1 in interest income (preliminary results) were better than we planned for.

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**Bruce Hamilton** – *Morgan Stanley*

Okay. And then in previous documents you had shown that you expected that your yield on the investment portfolio would trend at about 140 basis points below RUONIA] though it looks like that gap has widened in Q4. Should we expect that the 140 BPS is a good guide going forward or is there any room to manoeuvre within that? I guess what I am getting is, if our economists are correct, between now and the end of 2014, there is going to be about a 75 basis point reduction in rates which, as a proportion of your current yield, would be about close to 20%. So what is your ability to try and offset that because at the moment it looks like 2014 is going to see quite a sharp reduction in net interest income, given the T+2 impact is more a '14 than a '13 event? In view of that, what do you have at your disposal to try and offset that in the spread?

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**Evgeny Fetisov** – *Moscow Exchange*

First of all, when you look at our net interest income margin and compare it with RUONIA , I think it is more beyond just one quarter and you are right, we are exposed to the decline in the interest rate and we believe that we are operating at our safe optimal balance of risk return, so we will not be going to the more riskier assets and, with the change of interest rate, our new interest income will be impacted accordingly.

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**Bruce Hamilton** – *Morgan Stanley*

Okay, thanks.

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**Evgeny Fetisov** – *Moscow Exchange*

Our business plan, I would say conservative assumption for this year when we planned our activities was the decrease in the net interest income – not net interest income, the effective interest rate by 5.7% during the year.

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**Bruce Hamilton** – *Morgan Stanley*

So you are saying from the whatever it is, sort of RUB 10-ish billion, you expected about a 1% - RUB 10.1 billion, you expected about a 1% decrease in your planning assumption for '13?

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**Evgeny Fetisov – Moscow Exchange**

I tried to say something different. When we were planning the net interest income for the year, we expected the interest rate on the market to go down by 0.5-0.7%, so this was our baseline assumption.

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**Bruce Hamilton – Morgan Stanley**

And is your assumption today that 2014 will likely mark the low point for net interest income, given the saving of T+2 and given the sort of higher start point, or how do you think about that?

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**Evgeny Fetisov – Moscow Exchange**

It's a difficult question, given that we still need to see the results of the clients' behaviour on the T+2 introduction, whether they leave their funds with the Exchange or whether they decide to move certain parts of it away. So I would say it is a bit of a challenging question. Previously to that we felt that 2013 will be the lowest point but we really need to see how the market develops.

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**Bruce Hamilton – Morgan Stanley**

Okay, thank you.

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**Operator**

Your next question comes from the line of Andrew Keeley of Sberbank. Please ask your question.

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**Andrew Keeley – Sberbank**

Good afternoon. My first question is just on your guidance for some of the key operating lines for this year. I think you have been pretty clear on the costs side and I guess on the net interest income side. Could you just clarify what are your thoughts on fee income for this year and also the bottom-line overall? Thank you.

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**Evgeny Fetisov – Moscow Exchange**

We are trying to be careful with forecasting the trading volumes. I think the right way to look at our fee income is to look at the trading volumes market by market, the way they develop and the way they can grow moderately or more

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substantially and to model of that. So our target is to keep our EBITDA margin at the same level as last year at least, so I think this is the way we can describe our guidance.

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**Andrew Keeley – Sberbank**

Okay, thank you. I guess then on your fees, I am a little confused by the difference in your presentation between the fee and commission income that you give, which I think you have 1.4% growth, and the IFRS financials, which I think it is 15% growth YoY. Can you just explain? I think you mentioned the management accounts. Can you explain why there is this big difference with the IFRS financials? Thank you.

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**Evgeny Fetisov – Moscow Exchange**

Yes, sure. We specifically put up this data for your convenience so you can see the growth dynamics in volumes and commissions. The reason for the difference comes from the fact that RTS was consolidated into our accounts in the middle of 2011. So any fees or commissions or expenses which RTS had before that are not consolidated, hence the difference but we wanted to show you the results as if the two Exchanges were operating together for the full year of 2011. Is this helpful?

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**Andrew Keeley – Sberbank**

Okay, yes but, if you look at the 2012 numbers, you are getting to 10.359 I think from 2012 whereas in the IFRS numbers it is 11.4, so there is quite a big difference there, unless I'm missing something.

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**Evgeny Fetisov – Moscow Exchange**

Andrew, I don't have those numbers in front of me. We can either get back to you offline or discuss it later, if you don't mind.

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**Andrew Keeley – Sberbank**

Okay.

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**Evgeny Fetisov – Moscow Exchange**

We are happy to show you the reconciliation of that, if needed.

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**Andrew Keeley – Sberbank**

Okay, thank you. I think just my final question is on the tariffs. I am just wondering if you could give us a bit of colour in terms of the early indications regarding the impact of your tariff restructuring on your average tariffs and average fees. It would be good to get a sense of after Q1 where they are compared to where they were at the end of last year. Thank you.

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**Evgeny Fetisov – Moscow Exchange**

On tariffs, since we had the changes at the beginning of this year with the abolishment of VAT on financial transactions, on most of the markets effective tariffs grew from 7.4 to 13.5 % with the exception of bonds trading where the effective tariffs decreased because we didn't change anything. As I said, everywhere else the effective tariffs grew.

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**Andrew Keeley – Sberbank**

That 7.4 to 13.5, is that QoQ or YoY?

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**Evgeny Fetisov – Moscow Exchange**

It's Q1 in comparison with the average number for the FY 2012.

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**Andrew Keeley – Sberbank**

Okay. So would that be reflected in the IFRS financials? Is that correct?

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**Evgeny Fetisov – Moscow Exchange**

Yes.

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**Andrew Keeley – Sberbank**

Right, okay, thank you very much.

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**Operator**

As a reminder, if you wish to ask a question, please press \*1 on your telephone keypad and wait for your name to be announced. Your next question comes from the line of Evgeny Gregorius of VTB Capital. Please ask your question.

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**Evgeny Grigoriev – VTB Capital**

Good afternoon, Evgeny. I have a question that could be a continuation of the question that [was asked prior to IPO RoadShow. There was a 41 decline in equity turnover in the previous year and 48 reduction in Q1 of equity turnover that just could be hardly explained with weak markets only. Did you consider the effects of possible worsening corporate governance in the equity markets and outflow inured buy unfavorable corporate events? First of all, there could be a concern that buy-outs, swaps that were held by Interraio in previous year were held at the best price and the latest case of TNK BP Holding in which Rosneft admitted different (*inaudible*) major and minor shareholders of its new acquired entity.. Did you consider that these actions of listed companies were in line with corporate standards and the effects that it could bring to[equity turnover? Thank you.

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**Andrey Shemetov – Moscow Exchange**

I will answer the question. We are thinking TNK BP is not really an extremely important case for the decreased volume. We are thinking versus the country risk is much more important for us, unfortunately, in this situation and this is the reason why our volumes decreased and we hope the situation will be changed. Of course, we are now implementing regime - it is T+ and we see how it is very important and it is very interesting for our global bench counterparty which will implement the main access for the international institutional clients and we hope the situation in the second half of this year will be changed.

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**Evgeny Grigoriev – VTB Capital**

Okay, thank you.

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**Operator**

Your next question comes from Bruce Hamilton of Morgan Stanley. Your line is open.

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**Bruce Hamilton – Morgan Stanley**

Sorry, just one follow-up. I am not sure I was quite clear on the answer you gave on tariffs a little earlier. So just to sort of rephrase, given the introduction of the new sort of unbundled tariff schemes, what impact has that had on pricing? Is it fairly neutral in terms of the overall revenue impact on a YoY basis or have you seen a decrease or an increase or any particular divisions where there has been a big change? I didn't quite follow what you said earlier I'm afraid.

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**Evgeny Fetisov** – *Moscow Exchange*

I will try to be more precise there. We see the increase in average tariffs on all products except on bonds. So with the abolishment of VAT, we see the effective rate growing, as I said, from say 7 to 14% on various markets, so the effect on the fees and commission will be positive.

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**Bruce Hamilton** – *Morgan Stanley*

Okay, so you are saying sort of mid-single digit increase in pricing then? So is that a 7% increase to pricing across the group?

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**Evgeny Fetisov** – *Moscow Exchange*

It's 7, 8, 9 and 10%. It varies but there is a positive result on most of the markets.

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**Bruce Hamilton** – *Morgan Stanley*

The only one you pulled out as not having that benefit was the bond market – correct?

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**Evgeny Fetisov** – *Moscow Exchange*

Yes. We wanted this market to be more competitive and we decided intentionally to not increase prices there, so we just let the VAT part go.

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**Bruce Hamilton** – *Morgan Stanley*

Okay, thank you.

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**Operator**

Your next question comes from Olga [Nadenava of BECF]. Please ask your question.

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**Olga Naydenova** – *BSC*

Good afternoon. My first question is a follow-up to the tariff issue. Are you looking to further amend your tariff schemes and what impact would that have on your fees income going forward?

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**Evgeny Fetisov – Moscow Exchange**

Our strategic goal is to increase the share of the fees and commission income in our total revenue. So we are working right now in making our fees and commissions, if I may say, more complex and tailored to the various client groups. So we want to stimulate those to bring in more liquidity and let them pay less and we want, say, charge more for less active clients. Our target is to increase the average revenue for volume traded on most of the markets with the results of that. This project is in works now and there is not much we can disclose as of now but we hope to see the effect of that by maybe the end of the year or the beginning of next year.

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**Olga Naydenova – BSC**

Okay, thank you. My other question is also about costs. You were quite clear on your guidance and thank you very much for that but could you please split your expenses as to one-offs related to multiple events that you have had at the year-end and your general cost growth because you have had like a 30-ish percentage growth and personnel expenses and now you are saying that will be flat? So for us to look at further years, we need to understand how generally this growth is set up.

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**Evgeny Fetisov – Moscow Exchange**

Thank you for the question. There won't be a straightforward answer to that because we did have one-off events in 2011 which were merger-related. We still had some one-off events in 2012 which were merger costs. We had IPO costs or we will have IPO-related costs in 2013. So I think the right way to look at it is say personnel expenses are the key cost items and the rest will be more or less stable YoY with the exception of these one-off items.

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**Olga Naydenova – BSC**

And could you estimate the range of the one-offs please?

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**Evgeny Fetisov – Moscow Exchange**

The one-offs in 2012 were on the scale of RUB 500-600 million.

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**Olga Naydenova – BSC**

Okay, thank you very much.

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**Operator**

Your next question comes from Andrey Pavlov-Rusinov of Sberbank. Please ask your question.

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**Andrey Pavlov-Rusinov – Sberbank**

Thanks for the presentation. This is Andrey Pavlov-Rusinov from Sberbank CIB. I have got a question on the number of shares. In the presentation you are showing the number of shares at February 27 and I suppose it does not include fully the effect of stabilisation buy-out by your agent during the post-IPO process. Also, I am interested in what would be happening to the MICEX finance shares, those that are not connected to options. Thanks.

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**Evgeny Fetisov – Moscow Exchange**

Ekaterina Novokreshchenykh will go through the question...

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**Ekaterina Novokreshchenykh – Moscow Exchange**

All the shares which were issued for IPO and not placed with the cost of IPO, they are just *definetely* will be determined by the Board of Directors and that includes the stock which was bought in the cost of stabilisation. So all the stocks which are *are* currently present on the MICEX-Finance apart from 58 million shares reserved for option purposes is being the subject of a discussion, whether the shares will be cancelled or it should be just left the Treasury stock. One thing which is quite clear for now is that there is no intention of the Company whatsoever to sell or otherwise dispose of shares.

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**Andrey Pavlov-Rusinov – Sberbank CIB**

Right and the decision will be taken in what time period?

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**Speaker – Moscow Exchange**

The decision is going to be taken in the coming months, so probably on the next Board of Directors.

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**Andrey Pavlov-Rusinov – Sberbank CIB**

Thanks and just another question: on the interest expense and the put option, will there be another quarter or it all ends in 2012?

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**Evgeny Fetisov – Moscow Exchange**

The expenses on the put option will end as of the date of the IPO.

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**Andrey Pavlov-Rusinov – Sberbank CIB**

Okay, thanks.

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**Operator**

Your next question comes from Hugo Swann of Credit Suisse. Your line is open.

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**Hugo Swann – Credit Suisse**

Great, thank you – two quick questions please. You mentioned in the note *(audio)*...

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**Evgeny Fetisov – Moscow Exchange**

Hugo, I am sorry, we can't hear you very well... We can hardly understand the question.

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**Hugo Swann – Credit Suisse**

I will repeat them. The first one was *(audio)*... transaction you had with [Cyprus] at year-end, the reverse repo which you say was repaid in January. I just wanted to *(audio)*...

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**Operator**

Your next question comes from the line of Chris Turner of Goldman Sachs. Your line is open.

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**Chris Turner – Goldman Sachs**

Good afternoon everyone and, firstly, thank you for a great presentation. Most of my questions have actually been answered. The one that hasn't is relating to SC RTS that you've mentioned you have put up for a tender sale sometime this year. Can you just give us a feel for I guess two things: (1) the activities of that business – what part of your business is that involved in; and (2) just give us a feel for the potential revenues that that part of the business generates so we can I guess get a feel for how material that might be or otherwise? Thank you.

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**Evgeny Fetisov** – *Moscow Exchange*

Thank you for the question. The answer is simple. So far at this moment this is a shell company with a licence and a certain amount of capital which amounts to about RUB 800 million. If it is sold, it will be sold for the cash that it has on its books and maybe with a certain premium. So there is no impact on the revenues or no impact on P&L whatsoever. We will just get rid of certain expenses relating to maintaining this entity. So it has been part of the RTS Group prior to the merger. Now all the business was transferred to various entities within Moscow Exchange Group, to other entities.

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**Chris Turner** – *Goldman Sachs*

That's a very clear answer, thank you.

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**Andrey Braginsky** – *Moscow Exchange*

Thank you everyone for your questions. Let me now pass the call to Alexander Afanasiev for the closing remarks.

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**Alexander Afanasiev** – *Moscow Exchange*

Thank you very much for your interest in the Moscow Exchange and for participating in our call. So maybe answering some of the questions which were about our forecasts, of course, as Evgeny mentioned already, it is difficult for us to give some forecasts in details and in figures. However, I can tell you what we do expect this year as the most important drivers for additional revenues, in terms of securities market, in bonds we see already in Q1 a strong increase of the turnover in the result, mainly due to opening of the market to the international investors through Euroclear and Clearstream because currently the Russian bonds are Euroclearable. So we see here a strong potential.

In terms of equities, we have great hopes on development of T+2 project, which started already technically last week and we see already some increasing turnover in the order book. However, that is a project which will last for at least six new months so that will end up with closing the TO order book and will bring also some additional services to the table so to say.

In derivatives market we expect a strong increase in interest rate derivatives because they are more and more in demand by the customers in Russia. We have a strong project of development of clearing of OTC derivatives which shall be finalised by the end of this year.

We see also a strong increasing demand for money market products and so we will enter a relatively new market. So the interest rate money-driven repos with the pool of securities and with CCP, the central counterpart, this is also one of the most important projects for us, which will be finalised at the beginning of next year.

In terms of IT development, we already defined a new IT policy and are starting already the new unified IT platform and will add more and more cross-platform services to our product line. Last but not least, we expect also increased revenues from sharing market data and offering IT services.

So this year shall be a very important year for us, the year 2013, because many most important projects of development of Russian financial infrastructure shall be realised and give some fruit, so to say some results exactly in 2013. So thank very much again for your attention.

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**Andrey Braginsky** – *Moscow Exchange*

Thank you and this concludes the Moscow Exchange conference call. Thank you everyone and have a good afternoon.

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**Operator**

Thank you very much. You may now all disconnect.