Moscow Exchange FY 2014 IFRS Results Conference call

Event Date: March 12, 2015

SUMMARY: Higher volumes on the FX, Equities and Money Markets, as well as increased interest income and fees from Depository and Settlement Services resulted in strong growth in revenue and net income.

Investor Relations contacts

Sergey Klinkov, Director of Investor Relations – Tel. +7 495 363 3232 – Email ir@moex.com

SERGEY KLINKOV *– Director of Investor Relations, Moscow Exchange*

Good afternoon, everyone, and welcome to the Moscow Exchange FY 2014 IFRS results conference call. As usual, after the prepared remarks we will have a Q&A session. Firstly, I would like to remind you that certain statements in this presentation including the Q&A session may relate to future events and expectations and as such constitute forward-looking statements. Actual results may differ materially from those projections. The company does not intend to update these statements to reflect the events occurring after the date of the call, prior to the next conference call.

By now you all should have received our press release containing the Q4 and FY results. Our management presentation is available on the company's website in the IR section. Now I will hand the call over to Evgeny Fetisov, Chief Financial Officer of Moscow Exchange. Evgeny, please, go ahead.

EVGENY FETISOV *– CFO, Moscow Exchange*

Thanks, Sergey. Given the very volatile environment that we observed across our markets in 2014, I would like to start our remarks with the point of how the Exchange came though the period of market turbulence (please see slide 2). In March, October and December 2014 we experienced extremely high volatility on the Russian market across different asset classes. MOEX is well-prepared for such market moves. Our risk management tools proved their reliability and functioned well; we responded with timely initial margin increases and all trades were settled, while the CCP on the Equities Market was working on a T+2 settlement regime. Of course, the volatility generated strong trading volumes, which led to high fee and commission income. On the Equities Market trading volumes grew by 18% YoY; on the FX side trading volumes were up 46% YoY and set a new record high of RUB 229 tn. The Derivatives Market followed suit, with the amount of average open positions touching a record high of RUB 547 bn in 2014, while average client funds placed with us by the end of the year exceeded RUB 1.1 tn. We remain confident that MOEX is the marketplace of choice for our clients, its risk management system is robust and we are open for business under all circumstances, balancing interests of all stakeholders.

Secondly, the obstacles facing international participants in processing their transactions with Russian corporate bonds and equities through Euroclear and Clearstream were removed. Both Euroclear and Clearstream systems started operations with Russian corporate bonds in January last year while equities became eligible for settlement by the ICSDs starting from 1 July 2014.

Thirdly, new listing rules came into effect in June 2014. The new rules brought the Russian listing standards into line with international standards, taking into consideration the requirements for corporate governance which are now based on a new Corporate Governance Code, IFRS reporting, free-float and market cap. The whole listing structure became more transparent and clear with three quotation lists instead of six.

Next. The National Settlement Depository has initiated a programme of corporate action reform that will result in corporate actions by Russian companies becoming electronic, thus eliminating cumbersome paperwork for investors. This is the next important step in further improving the Russia's financial infrastructure.

And finally, as you know, in 2014 the CBR successfully sold down half of its stake in

MOEX. At RUB 16 bn, the transaction was the largest Russian SPO since the spring of 2013. The deal was several times oversubscribed despite all the headwinds faced by the Russian equity market. As a result of the transaction, our shareholder base has become even more balanced and diverse as we welcomed high quality investors from across Asia, the Middle East, Europe, UK and the US.

And now let us jump right to our financial results. Revenues in Q4 2014 increased by 51% YoY to RUB 9.8 bn, OPEX grew by 11% to RUB 3.2 bn YoY, while net profit grew by 85% YoY to RUB 5.3 bn. As a result in 2014 EPS grew by 38% YoY to RUB 7.21 while the EBITDA margin was 71%.

Finally, as you know, the Supervisory Board has recommended that we pay dividends of RUB 3.87 per share, which represents 55% of net profit under IFRS. As you will recall, our dividend policy calls for dividends of at least 50% of net profit in 2014, so this year we are again exceeding the announced minimum commitment.

Strong operating income growth was largely driven by higher fees and commissions, which increased by 42% YoY in Q4 2014. For the full year, fee and commission income remained well diversified, with the largest shares of income generated by the FX Market (22%), the Money Market (21%) and the Depository and Settlement Services (20%). These three segments together with the Derivatives Market saw the highest YoY growth, with 80% for the Money Market, 64% for the FX Market, 41% for the Derivatives Market and 33% for Depository and Settlement Services. The Fixed Income Market was the only exception, posting a YoY decrease; however there were some positive developments in Q4 thanks to material primary placements.

Significant upgrades and reforms that have been undertaken over the recent years made MOEX an increasingly attractive trading platform for both domestic and international investors. It is still the case that today the majority of our fee and commission income is derived from domestic clients, which include Russian banks, brokers, corporates, retail investors and asset managers. In our FX and Money Markets segments, domestic customers contributed 87% and 80% of trading volumes in 2014 respectively. At the same time, in the Equities Market the share of international investors grew from 40% of total trading volumes in 2013 to 46% in 2014 and in the Derivatives Market the share of foreign participants grew from 38% to 47%.

So, our robust financial performance is still driven by strong domestic trading which remains the core, while growing foreign investor interest is indeed important for us and reflects the results of our efforts that have been made to bring the market infrastructure in line with international standards.

I will know walk you through some of the highlights of each of the markets.

Equities Market. Given all the negatives that affected the Equities Market last year from oil price dynamics to the RUB depreciation to muted macroeconomic growth and high interest rates, one may have expected lower market activity. However, the trading volume on the Equities Market continued its upward trend in Q4 2014 with an increase of 16% YoY, driven by the continued positive impact from the market reforms as well as higher market volatility. Velocity also grew to 47%. Fee and commission income was up 33% YoY thanks to trading volume growth and changes in the presentation of fee and commission income applied in Q2 2014 which better reflect fee distribution across different markets. MOEX’s market share vs LSE remained above 50% throughout the year despite the significant RUB depreciation against USD. We believe interest in local shares vs DRs is positioned to grow as local shares are becoming a less risky and cheaper product to trade and hold.

Now let us move to page 7. In 2014, trading volumes in the Fixed Income Market remained subdued, down 31% YoY. During the year, the significant RUB depreciation coupled with interest rate growth and a sluggish macroeconomic outlook had a negative impact both on primary placements and secondary trading volumes. However, significant primary corporate bond placements of RUB 1.2 bn in Q4 vs just RUB 204 mn in Q3 led to a strong fee and commission income growth of 69% QoQ.

Derivatives Market. In 2014 we enjoyed a 25% YoY growth of trading volumes in derivatives. Due to higher market volatility throughout the year, particularly on the FX front, derivatives trading volumes demonstrated outstanding growth of 92% YoY in Q4 2014. A new risk balancing functionality between FX and Derivatives Markets that was launched in July 2014 also led to higher activity in FX derivatives. As a result, trading volumes of FX derivatives comprised 53% of total trading volumes on the Derivatives Market in 2014 vs just 41% in 2013. This shift in product mix led to a lower effective yield. Options trading volumes grew by 43% YoY and comprised 9.4% of total trading volumes on the Derivatives Market in 2014, up from 8.3% in 2013. Open interest has been growing over the year and reached an average of 17.1 million contracts in Q4 2014 for the period, up by 52% YoY. Fee and commission income grew by 5% YoY in 2014.

Money Market. In 2014, REPO transactions decreased by 7% YoY largely due to the shift from overnight auctions held by the CBR to 1-week REPO auctions completed in February 2014. On top of that, in Q4 2014 the CBR added 1-year REPO auctions, which led to the extension of average REPO maturity. In Q4 2014, MOEX enhanced its product portfolio with FCY-REPO with settlement in foreign currencies with the CBR and on the inter-dealer market. REPO with CCP retained healthy demand and continued its rapid expansion comprising 17.6% of total REPO volumes in Q4 2014. As a result, fee and commission income in Q4 2014 increased 80% YoY.

In 2014, higher volatility contributed to a 46% increase in FX Market trading volumes, both in spot (+36% YoY) and swap (+53% YoY) market segments. The change in the product mix toward a higher share of FX swaps which are used by market players to manage their liquidity positions led to a 41% YoY growth in fee and commission income. Also I am pleased to note that the CNY/RUB currency pair trading continued its rapid growth and reached its record high of RUB 129 bn in Q4 2014.

NSD. The volume of assets under custody at the NSD increased 26% YoY to an average of RUB 22.8 tn for the year. Solid fee and commission growth was driven by both an increase in assets under custody (thanks to the admission of Eurobonds to trading) and a higher number of inventory transactions in the reporting period due to the strong demand for collateral management services. Collateral management services for REPO transactions generated 21% of income from depository and settlements services in Q4 2014. As a result fees and commissions from depository services increased 37% YoY in 2014.

Other fee and commission income increased 26% YoY mainly driven by higher fees for information services and listing. Listing fees rose 61% YoY thanks to the new pricing structure following the implementation of the listing reform.

Interest income. The investment portfolio demonstrated strong growth of 103% YoY in 2014. In Q4 2014, the average investment portfolio amounted to RUB 916 bn, which is 152% higher than in Q4 2013. This was primarily driven by the continued growth of average market participant balances placed with the Exchange in foreign currencies as well as FX translation effect. The share of FX denominated client balances grew from 59% in Q4 2013 to 81% in Q4 2014. In Q4 2014, we saw a positive impact of interest rate growth on the RUB part of our portfolio while FX balances were still bringing relatively low yields. The blended effective yield increased from 1.9% in Q3 2014 to 2.1% in Q4 2014 while total interest income grew by 60% YoY in Q4 2014. Just to reiterate, our investment policy puts liquidity and safety as the priority over returns, and as such we do not take any currency risks on our balance sheet.

Operating expenses. In Q4 2014, operating expenses rose 11% YoY mainly driven by higher personnel expenses due to additional accruals for employee annual bonuses on the back of strong financial performance in Q4 2014 as well as unused vacation provisions. In 2014, personnel costs rose 12% YoY to RUB 5.4 bn and remained the largest cost item, comprising 52% of total costs. Excluding additional bonus accruals and vacation provisions personnel expenses increased just 4% YoY. Administrative and other operating expenses remained under control and declined 1% YoY due to lower spending on market makers (-35% YoY), depreciation of property and equipment (-7% YoY) and taxes other than income tax (-31% YoY). Total operating expenses increased by 5% YoY in 2014, which is two times lower than the inflation level.

NCC capital. Now I would like to touch on a very important topic concerning MOEX's need for additional capital in the clearing center for the coming years. As you know, there are regulations that define our approach to the NCC capital calculation. The NCC holds a banking license, which means that it falls under the CBR regulation on maintaining key bank ratios, including capital adequacy ratio. Core capital of the NCC should be divided by the sum of market risk, operational risk and risk weighted assets which means that each sort of assets in each currency held by the NCC whether it be inter-bank placements or government bonds, should be weighted with the certain risk weight specified by the regulation. So the Core Tier 1 ratio at any time should not be lower than 10%. On top of that, we run stress tests for the CCP that simulate the stress scenario with the two largest counterparties defaulting on each market. As a result, capital of the NCC must be sufficient to maintain the current capital adequacy ratio of more than 10% and cover potential losses under the stress test scenarios while the credit business continues to stay operational.

Since 2012, when we set our target for the NCC capital for the period of 2012–2014, the economic and market environment has changed substantially, with the profound RUB devaluation and rapid growth of balances of market participants, particularly FX denominated balances. Taking into account the situation in the banking sector following the RUB depreciation, the CBR adopted a temporary 211-T regulation which allowed banks to use the FX rate as of 1 October 2014 for capital adequacy calculation purposes. Though this regulation is effective until 1 July 2015, we understand that we need to keep the NCC's capital at the level that allows us to maintain all the ratios at the required level in case of abolishment of this regulation.

All these changes required us to revise our future capital needs and, under the new estimates incorporating all the new inputs, the NCC requires RUB 51 bn of capital by year-end. It is important to mention that there are certain factors that are important to watch as they may have an impact on the capital requirements in the future. Inflows and outflows of client balances, interest rates in the US and EU, and results of joint efforts of MOEX and the CBR to set a tailored approach to the regulation on the NCC's Tier 1 capital calculation as a central counterparty which are expected to happen in 2015 and could potentially reduce the amount of capital that the NCC requires. These factors may cause us to review our capital needs once again in order to reflect new circumstances and allow us to use the capital in the most efficient way.

CAPEX and OPEX plans. Due to the sharp FX rate changes in December 2014, we have revised our 2015 budget. We assume an average USD/RUB rate of 70 vs 45 previously with a new guidance on OPEX and CAPEX.

On the CAPEX side, due to certain FX-based components of our IT-infrastructure spent, including licenses, hardware and software, we revised our maintenance CAPEX up to RUB 1.5–1.7 bn in 2015. Our plans to implement key projects which we alluded to before remain intact, with unification of IT-infrastructure and migration to the new data center being the core ones. Given that we spent less than we expected in 2014 and are incorporating a higher estimated FX rate, our new target is RUB 2.2–2.4 bn to be spent on these projects in 2015.

On the OPEX side, we aim to keep the growth of personnel costs at the rate of 10–13%, which is below the expected inflation level. However, due to revision of FX linked contributions to administrative and other operating expenses, mainly IT-related costs and spending on professional services, our expected total cost growth is now around 25% YoY, roughly half of which is FX-rate driven.

However, the business is hedged on the revenue side. Our FX-denominated revenues and respective gains are expected to more than offset the cost expansion driven by the translation effect.

So, thank you very much for your attention. That concludes our opening comments and now I would like to open the call for any questions.

Operator: Thank you. As a reminder, if you wish to ask a question, please press "*1" on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the "#" key. Your first question comes from the line of Jason Hurwitz. Please ask your question.

JASON HURWITZ *– Analyst, VTB Capital*

Good afternoon, Evgeny. I would like to ask you a question, first, relating to the capital that you were just discussing for the NCC. Could you maybe briefly walk us through when you expect to capitalise the NCC and how much additional capital you would expect to need to inject there given the potential for organic generation of capital as well. And also once you have done this capitalisation, would you consider using any excess capital buffer that you have to more aggressively invest some of your FX balances into Russian banks that offer a little bit higher rates than the OECD banks. That's the first question. The second is really a simple one. You mentioned the CAPEX programme for this year. Could you just give us a final figure on how much CAPEX spending there was for 2014. That's it. Thanks.

EVGENY FETISOV *– CFO, Moscow Exchange*

Thank you, Jason. Starting with the NCC, we do not expect to inject additional capital to the NCC. We expected to organically keep the retained earnings for the coming few months to reach this target and after that we will see what we do with the rest of the retained earnings for the year. So, no external injections, just organic growth as the NCC is the core profit-generation unit of the Group. On FX deposits, we have a fairly strict investment policy, which is available on the NCC's website, so I think we will not be turning more aggressive than we are today, which is to say we are fairly conservative, so we would be limited in terms of where and how we can place our FX deposits. We do have some minor placements with local banks, but we are, as you rightly mentioned, restricted by the risk weightings, which are attributed to such placements. So they are, I would say, not very substantial. On the CAPEX side, we expect the total planned CAPEX for this year to be RUB 3.8 bn and that includes maintenance CAPEX and CAPEX for the two largest projects, which are unification of the IT platform and the data centre, all of that is RUB 3.8 bn, like I said. I hope I did answer your question there. Anything else I should cover?

JASON HURWITZ *– Analyst, VTB Capital*

What I was asking is actually how much the CAPEX from 2014 was.

EVGENY FETISOV *– CFO, Moscow Exchange*

Right. The accrued part of 2014 was RUB 784 mn. On the cash basis, it was closer to RUB 1.1 bn. The number that got into the accounts was RUB 784 mn.

JASON HURWITZ *– Analyst, VTB Capital*

OK, perfect, thanks very much.

Operator: Thank you. Your next question comes from the line of Michael Shlemov. Please ask your question.

MICHAEL SHLEMOV *– Analyst, UBS*

Good evening, Evgeny. Thank you very much for the presentation. My first question would be on the NCC and the capital adequacy level that you want to maintain. Can you give us any targets in terms of what minimum capital requirements you are willing to look at? And as a part of this also a follow-up question: on a slide in your presentation you say that the Core Tier 1 ratio should be above 10%. Is it N11 ratio or you are rather talking about the total capital of more than 10%? That's the first question. The second question comes in terms of regulatory relief on capital requirements for the NCC. If you could elaborate what basically are the initial proposals, what discussions you have with the Central Bank and what type of capital relief we can have on that side? And probably the last but not the least regarding the FX client balances. Could you please update us on the plans to potentially introduce negative rates for the FX deposits trying to reduce this type of balances with the NCC and the capital pressure? Thank you.

EVGENY FETISOV *– CFO, Moscow Exchange*

Thank you, Michael. If I miss any questions, please repeat those. I tried to scribble them down. On the capital requirements of the NCC, there are two things that we look at: first one is the N1 capital requirements, which should be above 10% and we are actually trying to keep ourselves with a slight buffer. We are targeting more than 10%, to be on the safe side, as the client inflows and client balances are not something we can easily predict or control. As to the changes that can happen to the NCC regulations, this is I would say a point of separate discussion.

There are a number of regulations, six instructions or different documents which are issued by the CBR, which regulate the calculations of capital adequacy, which we expect may be changed later this year, which would allow us to apply a different scheme for calculation of the capital required. This will involve use of so called "skin in the game", which would be deducted from the calculation by the CCP, but overall we expect that would provide a certain relief in terms of the capital which the NCC would require. I would refrain from giving you an estimate at this point of time, but I would say that it would make our life somewhat easier. And on the maintenance fee, we are technically ready to introduce a maintenance fee although I don't think we would want to do it right now. We value the client relationships that we have and we understand why the clients are putting money with us. As long as we don't have to pay to keep this money or as long as we are not charged, I think we will try to refrain from charging our clients the fees for keeping their cash with us. What we try to do is actually be more active in investing this money to cover any capital costs that we may incur.

MICHAEL SHLEMOV *– Analyst, UBS*

OK, Evgeny, thank you. If I may have a couple of follow-ups. In terms of this buffer for the minimum capital requirement, what type of buffer are you looking at? Because if I would look at the data as at 1 February, I think the N1 was around 11.8%, which looks fairly light comparing to the situation a year ago, when the N1 was around 19%. What would be the level you would be comfortable with? And the second one in terms of the maintenance fee introduction. I think one of major US money market [sanctioned] banks has already talked about introducing the fee for keeping money with them. Is there something by which you would be [impacted] and be willing to pass on to the customers? Thank you.

EVGENY FETISOV *– CFO, Moscow Exchange*

On your first question, Michael, in terms of how much we would like to keep as a buffer, I would say we have different views depending on whether they come from the risk management side or financial side. We think that anything starting with 11% to 13% would be a reasonable number, but again that will largely depend on client inflows and client balances. On the maintenance fee, we are not being charged by any of our correspondent banks for keeping balances with them. That is why we are not passing this through to our clients.

MICHAEL SHLEMOV *– Analyst, UBS*

OK, thank you very much.

Operator: Thank you. Your next question comes from the line of Olga Naydenova. Please ask your question.

OLGA NAYDENOVA *– Senior Equity Analyst, BCS*

Hello. I would like to return again to the issue of the capital base. Am I calculating this correctly: you need to direct roughly RUB 12 bn to recapitalise your central counterparty within 2015, and then direct RUB 3.7 bn to CAPEX maintenance and new CAPEX, so am I getting this right that first, if you have RUB 51 bn by year-end when you will be calculating your dividends, will you be accounting for the money that you will already have earned by April when you will announce that? And in general, does this situation mean that your dividend payout will be dependent on those two numbers?

EVGENY FETISOV *– CFO, Moscow Exchange*

Thank you for your question Olga. I think the key for us is the policy that we had in place, and that we will be putting in place. We are basing our dividend payout on the IFRS net income, and I think this is the core that we have in place. Assuming that we are done with the capitalisation of the NCC, we shall be in a position to direct the extra net income or the extra cash flows towards the payment of dividends. This is something that will be decided by the Board later this year, so we do not have any reasons to expect that the policy will be worse than it is right now. Did I miss anything in the question?

OLGA NAYDENOVA *– Senior Equity Analyst, BCS*

Yes, because by my calculation you need to spend almost around RUB 16 bn only on your own capital needs, and that puts risk on dividend payouts, at least at 50%.

EVGENY FETISOV *– CFO, Moscow Exchange*

We have some cash on our books that we will use for our dividend payouts, so I think we are currently in a fairly OK position to go ahead with the proposed dividend payment.

OLGA NAYDENOVA *– Senior Equity Analyst, BCS*

No, I do not mean the 2014 dividends, I mean the dividend payout for 2015 and forward.

EVGENY FETISOV *– CFO, Moscow Exchange*

Given where we are right now I think we, again, we are seeing ourselves as being comfortable with the policies that we have right now and extrapolating going forward.

OLGA NAYDENOVA *– Senior Equity Analyst, BCS*

OK, thank you.

Operator: Thank you. Your next question comes from the line of Robert Earley. Please ask your question.

ROBERT EARLEY *– Principal, Armor Capital*

Good afternoon. Could you provide a bit more detail on what FX denominated revenues you have and how those offset the FX related cost pressures?

EVGENY FETISOV *– CFO, Moscow Exchange*

Sure, thank you for the question. We have two major parts of the FX revenues. One is the sale of information, which could be up roughly to USD 10 mn a year, and the rest comes from the interest income that we get on the FX balances in USD and EUR. Those two parts actually more than cover the FX linked costs that we have on the OPEX side and cover the substantial part of the FX linked CAPEX for 2015.

ROBERT EARLEY *– Principal, Armor Capital*

All right, thank you.

Operator: Thank you. Your next question comes from the line of Igor Gerasimov. Please ask your question.

IGOR GERASIMOV *– Equity Analyst, Goldman Sachs*

Hi Evgeny, thanks for the presentation. I have two questions. The first one is on your dividend policy. As far as I am concerned, your dividend policy expires this year, and you should present an updated one closer to summer. Are you going to increase the payout ratio, or do you expect that the dividend policy will be more or less in line with the one that we have now?

EVGENY FETISOV *– CFO, Moscow Exchange*

Thank you for your question, Igor. Indeed, the dividend policy will be reviewed and updated by the Board later this year, so the general expectation is that when the capitalisation of the NCC is done we will be positioned to increase the payout ratio. This is the general view that the Board has, so I do not think that we shall be overly conservative with that. Although, again, that will be greatly driven by the external circumstances affecting the capital needs of the NCC, like we mentioned. So it depends on whether we have a substantial increase of client balances and how the regulation covering the calculation of capital requirements for the banks, specifically related to the NCC, changes.

IGOR GERASIMOV *– Equity Analyst, Goldman Sachs*

OK, thank you very much. The last question is on the NCC policy. You are not going to introduce maintenance fees for cash and FX, am I correct?

EVGENY FETISOV *– CFO, Moscow Exchange*

What I can say is that we can introduce a maintenance fee, but we are not introducing it right now. We are not introducing it for now and we do not have near-term plans for that for sure.

IGOR GERASIMOV *– Equity Analyst, Goldman Sachs*

I understand. Thank you so much.

Operator: Thank you. You have no further questions at this time, but once again, if you wish to ask a question, you can press “*1” on your telephone. Your next question comes from the line of Andrew Keeley. Please ask your question.

ANDREW KEELEY – *Analyst, Sberbank CIB*

Hi guys, thanks for the call. Regarding your costs, can you maybe give us a little bit more colour in terms of the CAPEX guidance. It seems like a while back you mentioned, I think, the sum of around just under RUB 3 bn over three years for the IT upgrade projects, and now we are looking at RUB 2.2–2.4 bn purely in 2015. I am just trying to understand how much of this pick-up in CAPEX is purely a function of the rouble depreciation and how much is the function of the fact that you actually just kind of underestimated what all of this would actually cost, in the first place, and it is just costing more on an underlying basis than you thought? Thank you.

EVGENY FETISOV – *CFO, Moscow Exchange*

Thank you for your question, Andrew. Answering that, I would say that we indeed had the initial estimate of RUB 3 bn for these two projects. Our current estimate is closer to RUB 4 bn, or maybe slightly more. There is a part that is FX linked, but we are also working in certain way to optimise these numbers. The RUB 2.2 bn for 2015 may look big, but this is due to the fact that we actually moved certain spending from 2014 into 2015, so it is just the year that will be loaded with the spend if we are actually successful in realising all our plans within this year. Therefore, overall we expect CAPEX to decrease in the following years, again provided that we do all the spend in 2015 as we plan.

ANDREW KEELEY – *Analyst, Sberbank CIB*

OK, that is helpful. Can you tell us if you are on track in terms of the timing of all of this? I think previously it was a three-year project ending in 2016, is that timeline still in place?

EVGENY FETISOV – *CFO, Moscow Exchange*

Yes, this timeline is still in place. We have delayed certain spend on both the data centre and the IT platform due to the fact that we wanted to study certain issues in more detail and actually make decisions – and we did make decisions – which allowed us to spend less, so we are more or less on track with what we wanted to achieve in these 2–3 years.

ANDREW KEELEY – *Analyst, Sberbank CIB*

OK, thank you. Just a brief question on your average fees. They went up very strongly in the Money Market segment, which you explained fairly well. I am just wondering if we should assume, basically, that this kind of level that we saw in Q4 should be a new base level for the average fees we are seeing in the Money Market segment?

EVGENY FETISOV – *CFO, Moscow Exchange*

This is a very good, albeit tough, question, Andrew. Much will depend on the mix of the terms of the REPOs that are going for the market. If we have a higher share of longer-term REPO, the effective yield would increase. However, I do not think we have an instrument to predict the share of longer-term REPO vs shorter-term REPO, so this will fluctuate as it does in, say, the FX Market, where the effective yield is determined by the mix between swaps and spot transactions.

ANDREW KEELEY *– Analyst, Sberbank CIB*

OK, fair enough. Thank you.

Operator: Thank you. Your next question comes from the line of Andrey Mikhailov. Please ask your question.

ANDREY MIKHAILOV *– Analyst, Otkritie*

Hello, thank you for the call. I have one clarification question and one question of a general substance. The clarification one concerns the dividend payout ratio. You have mentioned that you are going to increase it. Will it be increased compared to the 50% stated by the current dividend policy or the 55% actually paid out in 2014? The general question is on the strategy. Will you be able to shed some light on the strategy you adopted recently? In particular, on the plans to expand in the commodities space, possibly?

EVGENY FETISOV *– CFO, Moscow Exchange*

OK, thank you for the question. As for the dividend policy, I will reiterate that it will be determined by the Board, so the Board will be setting the strategy. Our expectation is that it will not be less than the recent number that we have written in our policy, which is minimum 50% of the IFRS net income. I would be referring to this number. This is coupled with the overall view that we as any other exchange shall be in a position to increase our dividend payout with time as we complete the capitalisation of the clearing house, which is the largest use of capital for us. This is how we see that. Speaking about the strategy, we will soon enough have a separate event for analysts and investors where we will present the new strategy that was adopted by the Board.

ANDREY MIKHAILOV *– Analyst, Otkritie*

All right, thanks very much.

Operator: Thank you. Your next question comes from the line of Michael Shlemov. Please ask your question.

MICHAEL SHLEMOV *– Analyst, UBS*

Evgeny, I have a follow-up question on the NCC. Perhaps you could shed some light on how the asset structure of the NCC currently looks, especially in terms of risk weightings. How big is the proportion of assets, or client balances, which you have to place basically risk-free with the Central Bank, and what kind of yield you are making on those, especially on the rouble funds? Thank you.

EVGENY FETISOV *– CFO, Moscow Exchange*

Thank you for the questions, Michael, good as always. Regarding the type of assets, one of the most recent splits would be that… Please bear with me for a second, I need to calculate it. Roughly 25% is kept with foreign banks… Just a second, Michael, I need to look at the numbers.

MICHAEL SHLEMOV *– Analyst, UBS*

Sure.

EVGENY FETISOV *– CFO, Moscow Exchange*

More than 50% is kept with the corresponding banks in foreign currency. Then, I would say, a very small portion of roughly 1% is kept with local banks, and the rest would be the rouble portfolio plus the balances with the CBR. I am sorry I cannot give you the details because I do not have these numbers ready in front of me. We can follow up with it later if that helps.

Operator: Thank you. Your next question comes from the line of Igor Gerasimov. Please ask your question.

IGOR GERASIMOV *– Equity Analyst, Goldman Sachs*

Evgeny, I appreciate your not providing the precise profitability guidance for 2015, but maybe you could share the preliminary outlook for your returns, for net income by the end of the year. Thank you.

EVGENY FETISOV *– CFO, Moscow Exchange*

I am sorry, can you repeat the question? The outlook for?

IGOR GERASIMOV *– Equity Analyst, Goldman Sachs*

For net income, for profitability.

EVGENY FETISOV *– CFO, Moscow Exchange*

Normally we do not give guidance for revenues or net income, apologies for that. We try to be as detailed as possible on the cost side, which I think we did, providing guidance on OPEX. What we can say is that we do expect growth on the top-line, although it is very challenging for us to forecast it in great detail. We regularly publish the numbers and we expect that the growth and the drivers for this year will still be coming from the FX and the Money Market. The recovery in the bonds is something that is expected, although we still need to see when this happens. We have a general expectation that interest rates will be declining throughout the year. This is as much as I can say on that.

IGOR GERASIMOV *– Equity Analyst, Goldman Sachs*

OK, many thanks for a detailed reply.

Operator: Thank you. Your next question comes from the line of Jason Hurwitz. Please ask your question.

JASON HURWITZ *– Analyst, VTB Capital*

Just a little bit of additional colour relating to the OPEX growth. Could you please give us a little bit of colour in terms of the portion of the total OPEX growth that is coming from this big increase in CAPEX? Anything you could give on that regard would be great, thanks.

EVGENY FETISOV *– CFO, Moscow Exchange*

Yes, Jason, just a second. According to what I now have in front of me, we think that about 15% of that growth would be coming from the increased amortisation, which is driven by larger CAPEX, and then about 5% of that will be driven by the VAT, which is payable at the time the CAPEX is made by the subsidiary banks.

Operator: Thank you. You have no further questions at this point, please continue. Excuse me, there are some questions. Your next question comes from the line of Andrzej Nowaczek. Please ask your question.

ANDRZEJ NOWACZEK *– Analyst, HSBC*

I am sorry if this has been mentioned, but what exactly is your average CPI forecast for 2015? And what average RUB/USD exchange rate did you assume for your OPEX calculations, and, perhaps, year-end exchange rate as well, if it is at all relevant for the NCC capital requirements.

EVGENY FETISOV *– CFO, Moscow Exchange*

Thank you very much for your question. We are by far not experts in macro forecasting, so I would say that what we have used in the budget is fairly straightforward. We used RUB 70 as a RUB/USD exchange rate for calculating the OPEX and CAPEX spend. And for not the inflation itself, but for the interest rate, the rouble interest rate, we expect that it may go down to, say, 11–13% by the end of the year.

ANDRZEJ NOWACZEK *– Analyst, HSBC*

I see. So when you say that growth of personnel expenses is expected to be below inflation at 10–13%, you must be assuming the inflation of around 15%?

EVGENY FETISOV *– CFO, Moscow Exchange*

Again, as I have said, we refer to the inflation higher than 10% or 13%.

ANDRZEJ NOWACZEK *– Analyst, HSBC*

Thank you so much.

Operator: Thank you. Your next question comes from the line of Andrey Pavlov-Rusinov. Please ask your question.

ANDREY PAVLOV-RUSINOV *– Analyst, Sberbank CIB*

Hello, Evgeny. Thanks for the presentation and congratulations on the great results. Just a follow-up question, I am sorry if it has been answered already, I have been cut off from the call. Can you give us a sense of what share of your OPEX is FX-denominated, and is it more Euro-based or USD-based?

EVGENY FETISOV *– CFO, Moscow Exchange*

Yes, we have not touched on that question. On the OPEX side, as far as I recall, it is about 15% that is FX linked, and it is predominately USD linked, so I would say 80% would be dollars and 20% will be Euros.

ANDREY PAVLOV-RUSINOV *– Analyst, Sberbank CIB*

OK, great, thanks. Just another small clarification: you say that your target N1 ratio is 10%. Are you referring to the total capital ratio, N10, which is limited by 10% by the CBR, or are you referring to N11, which is Core Tier 1 and which is limited by 5% by the CBR

EVGENY FETISOV *– CFO, Moscow Exchange*

We refer to the former one, N10.

ANDREY PAVLOV-RUSINOV *– Analyst, Sberbank CIB*

N10. OK, great. Thank you.

EVGENY FETISOV *– CFO, Moscow Exchange*

And we have always said that this is not the target, this is what the regulation is, so we have to be above 10%.

ANDREY PAVLOV-RUSINOV *– Analyst, Sberbank CIB*

Yes, it is just that in your presentation you refer to that as a Core Tier 1 ratio, while in fact it is total capital ratio.

EVGENY FETISOV *– CFO, Moscow Exchange*

Yes, that is correct.

ANDREY PAVLOV-RUSINOV *– Analyst, Sberbank CIB*

Thank you.

Operator: Thank you. You have no further questions at this point, please continue.

SERGEY KLINKOV *– Director of Investor Relations, Moscow Exchange*

Hi everyone, this is Sergey Klinkov. If we have no further questions, I think at this point we can end the call. Thanks very much for your participation. I hope we managed to cover all the questions. If not, please send an e-mail to ir@moex.com or just call me. Thanks again for participation.

Operator: That does conclude our conference for today. Thank you for participating, you may all disconnect.