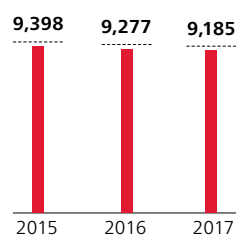


Markets

Equity & Bond Market

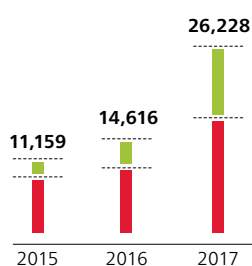
Moscow Exchange's Equity & Bond Market is the main liquidity center for Russian stocks and fixed income instruments. The securities traded on the market include shares, government bonds (OFZ), regional and corporate bonds, sovereign and corporate Eurobonds, depositary receipts, investment units, mortgage participation certificates (MPCs) and exchange-traded funds (ETFs).

The reform of the Russian market infrastructure over the last several years has helped bridge the gap between Moscow Exchange and leading international venues in terms of quality of the trading and clearing services. In 2013, the Equity & Bond Market switched to a new trading technology used by the largest financial centers, embracing partially collateralized and deferred settlement schemes. Today the Exchange is the primary venue for raising capital by Russian corporates and the government.



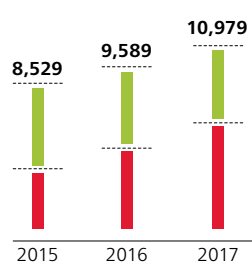
Equity market trading volumes, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	9,398	9,277	9,185	-1.0%



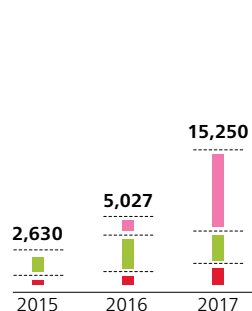
Bond market trading volumes, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	11,159	14,616	26,228	79.4%
▶ Secondary trading	8,529	9,589	10,979	14.5%
▶ Placements	2,630	5,027	15,250	203.3%



Secondary trading, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	8,529	9,589	10,979	14.5%
▶ OFZ/OBR	3,577	4,961	6,570	32.4%
▶ Corporate & other bonds	4,952	4,628	4,408	-4.7%



Placements, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	2,630	5,027	15,250	203.3%
▶ OFZ/OBR	661	1,123	2,217	97.3%
▶ Corporate & other bonds	1,969	2,503	3,367	34.5%
▶ Overnight bonds	–	1,401	9,665	589.9%

Trading Volumes

The total trading volume on the Equity & Bond Market in 2017 increased by 14.5% to RUB 25.7 tn (excluding overnight bonds). Bond trading volume rose by 25.3% to RUB 16.6 tn, while the volume of traded equities amounted to RUB 9.2 tn, a 1% decline versus 2016.

Bond issuance more than tripled to reach RUB 15.3 tn in 2017, including RUB 2.2 tn of government bonds (OFZs) and RUB 13.0 tn of regional and corporate bonds (with overnight corporate bonds accounting for RUB 9.7 tn).

In 2017, 16 public equity offerings were completed for a total amount of RUB 258.3 bn. At the end of 2017, total equity market capitalization reached RUB 35.9 tn (USD 623.2 bn).

Attracting retail investors

Attracting individual clients to the Equity & Bond Market is one of the Exchange's priority tasks. In 2017, the number of private investors with brokerage accounts increased by 18.4% to 1.3 million, while the number of active clients with at least one transaction during the year growing by 24.9% to 375,200. A wider range of instruments, easier access to financial services, regulatory innovations and tax incentives all worked to spur investor interest in the Equity & Bond Market. For example, in 2017, the annual ceiling limit for deposits in individual investment accounts was raised from RUB 400,000 to RUB 1 million, driving the overall number of individual investment accounts registered with the Exchange up to 302,000 at the end of 2017 (vs. 195,000 in 2016). The Bond Market, which has traditionally been viewed as a venue for professional participants, also introduced some important innovations targeting private investors. Beginning in 2018, individuals are eligible for interest income tax exemptions as regards corporate bonds of Russian issuers trading on an organized market. In anticipation of the relevant change, private investors increased their exposure to debt instruments.

On top of that, in 2017, private investors were offered new instruments designed specifically for the retail segment, including OFZs for individuals (OFZ-n) and bonds of VTB Bank, Russian Agricultural Bank and Sberbank. In 2017, approximately 110,000 private investors executed bond transactions (up 2.6 times year-on-year) while the share of private investors in the corporate bond and OFZ markets grew from 1.5% to 2.8% and from 6.1% to 9.1%, respectively.

Financial market services become increasingly accessible for individuals, as private investors are now able to open brokerage accounts from home. As of the end of 2017, 31 brokerage and investment management companies offered customers an opportunity to open accounts remotely via online portals, including 16 firms that provided an option to open remote accounts via the Interagency Electronic Interaction System (IEIS).

In late 2017, MOEX launched a marketplace for private investors (place.moex.com), an online platform where newcomers can access comprehensible information about the most popular exchange traded instruments and gain access to the market.

MOEX also launched a dedicated bond portal to provide both potential and existing private investors with detailed market information, including news, payment schedules and calculators to determine the cost of issuance and placement.

Liquidity support

The Exchange actively liaises with the professional community. To boost liquidity in the Equity & Bond Market, a number of market-making programs were initiated.

In August 2017, MOEX launched its Best Bid / Best Offer Program, an equity market-making initiative with participants undertaking to maintain the supply of and demand for securities by quoting best bid and offer prices. In 2017, the average buy/sell spread under the program decreased by 0.36 bps, while the quoted volume of orders at best prices increased by 15.8%.

In March 2017, the Exchange launched an OFZ market-making program targeting a wide range of traders and their clients as an add-on to the existing OFZ liquidity support program designed for larger trading members.

In May 2017, the Exchange also increased the OFZ market price tick value tenfold (from 0.0001% to 0.001%) in an attempt to improve the market microstructure. Within a few days of the change, the trade-to-order ratio grew eightfold (from 1% to 8%), while the OFZ turnover ratio added 18%.

Attracting non-residents

In December 2017, the Exchange made available to clients of trading members, including non-residents, a Sponsored Market Access (SMA) technology providing direct access to trading on the Equity & Bond Market. Enabling pre-trade checks as part of the SMA functionality gives trading members and their clients access to a flexible risk management system, significantly reducing the time required to execute an order.

As of the end of 2017, a total of 10 SMA IDs were used by five trading members. By facilitating transactions in the Russian securities market, SMA will contribute to an expanded client base and increased liquidity in the Equity & Bond Market.

New instruments

Starting from August 2017, market participants can trade in foreign currency ETFs with settlements in USD (T+0) or RUB (T+2). With the new service, Russian investors preferring FX investment instruments are no longer required to convert them into rubles to trade ETFs on the Exchange, which ensures a simpler investment process and reduces transaction costs.

In March 2017, inter-product spreads were introduced in the OFZ market, relaxing collateral requirements for opposite positions and allowing participants to save RUB 110 mn in collateral.

302,000

Individual investment accounts at year-end 2017

GROWTH
SECTOR

a segment facilitating investments in small- and medium-sized businesses

Global recognition of Exchange prices

The continued development of the Russian financial market infrastructure was recognized by the global community in 2017. On 30 October 2017, the international index provider MSCI began using MOEX's closing auction prices to calculate indices that include listed Russian securities, an endorsement of the Exchange's closing auction share prices. As a result, the share of closing auction trades in the Exchange's total trading volumes almost doubled, reaching 4.26% in November-December 2017.

Introduced in September 2013, the closing auction is aimed at increasing liquidity. The closing auction prices have been used to calculate Moscow Exchange's own indices since the spring of 2014. In 2015, UK index provider FTSE began using the Exchange's closing auction prices to calculate indices that include listed Russian securities.

Attracting SMEs

Providing SMEs with access to capital markets is one of MOEX's key priorities. Since 2009, the Exchange has successfully operated the Innovation and Investment Market (IIM), which facilitates investments in innovative Russian businesses, with IIM issuers having raised over RUB 100 bn through public offerings to date.

The IIM sector offers investors tax benefits, such as no tax on investment income from securities of issuers with a market capitalization below RUB 10 bn, provided that the investor holds the securities for at least a year. There are plans to increase the threshold to RUB 25 bn.

In 2017, total trading volume on the IIM sector doubled year-on-year to reach RUB 23.1 bn, with 23 securities listed. As of the end of 2017, the market capitalization of companies in the IIM sector rose by 28% to RUB 363.8 bn.

To ease access of Russian high-tech companies to capital markets, in 2017 the Ministry of Economic Development of the Russian Federation and Moscow Exchange launched a joint project aimed at developing and implementing support mechanisms for potential IIM issuers, including by way of establishing pre-IPO funds and raising finance from anchor investors.

It also became possible for non-governmental pension funds to invest pension savings in shares of innovative companies included in the premium segment of the Innovation and Investment Market (IIM-Prime). The IIM-Prime segment is designed to increase investor interest in the largest, most reliable and most promising innovative Russian companies.



Updating the method for calculating our benchmark ruble-denominated index – the MOEX Russia Index – as well as rebranding it, were key projects in 2017. We completed the listing reform and now have issuers with high corporate governance standards in our Level 1 List. Our key goals for 2018 are continuing to increase the volume of corporate bond placements and attracting retail investors to trade on the Exchange.

Anna Kuznetsova
Managing Director for Equity
and Bonds Market

To encourage IT companies to enter the IIM, in 2017 the Exchange jointly with the RUSSOFT and APKIT professional associations formed a working group comprised of Russian IT leaders whose companies planned to access the public market.

To foster independent analytical coverage, MOEX presented two analytical reports in 2017: Investment Potential of the Russian IT Market (in partnership with RUSSOFT and J'son & Partners Consulting) and Overview of Promising Alternative Energy Technologies (Frost & Sullivan).

Going beyond innovative businesses, in 2017 Moscow Exchange decided to use its experience and expertise gained in the IIM sector to establish the Growth Sector, a new market segment for public trading of SME securities, in order to boost investment in the real economy, expand the list of instruments traded in the financial market and enhance diversification opportunities for investors.

The project is run with the support of the Industrial Development Fund (IDF), Russian Direct Investment Fund (RDIF), SME Corporation, Russian Export Center (REC), the Ministry of Economic Development of the Russian Federation, Ministry of Industry and Trade of the Russian Federation and the Bank of Russia. Thanks to the partnership with development institutions, first-time issuers can quickly benefit from effective support tools, including securities-based lending with IDF and anchor investments from RDIF. On top of that, Growth Sector issuers enjoy lower free float requirements, with RUB 500 mn for ordinary shares and RUB 250 mn for preferred shares on the Level 2 List.

Going forward, the Exchange plans to expand benefits and opportunities for bond issuers in the Growth Sector. In November 2017, the Growth Sector saw its first public offering, a RUB 3.5 bn IPO of Globaltruck. Also included in the sector are shares of CZPSN-Profnasteel and Obuv Rossii, three issues of exchange-traded bonds Obuvrus and four issues of exchange-traded bonds of Polyplast.

Listing

In 2017, the Exchange continued to automate and streamline procedures for issuing securities, as well as to develop recommendations for issuers with securities on MOEX quotation lists.

For Russian companies thinking of a domestic public offering, Moscow Exchange and Freshfields Bruckhaus Deringer, a leading international law firm, drew up recommendations on the composition and scope of information to be disclosed by issuers in their prospectuses. The recommendations were prepared to inform issuers about international practices related to disclosures and to form a unified approach to prospectus disclosures.

The Exchange also suggested guidelines on the development and implementation of dividend policies by public companies. The guidelines reflect the principles of the Corporate Governance Code and best practices, and provide the views of institutional portfolio investors on how to implement dividend policies. Their purpose is therefore to help Russian issuers meet the relevant requirements of the listing rules and provide them with a tool to include clear and coherent provisions on determining dividend payments into their dividend policies.

RUB 3.1 TRILLION

was raised by Russian
companies in 2017
via the Exchange

The Exchange also continued to digitalize its listing services for issuers. In particular, issuers' online accounts now feature new Electronic Listing and Ticket System services. They contribute to more streamlined business processes related to listing, faster preparation and preliminary approval of documents, and more transparent and effective interaction between issuers and the Exchange.

In addition, MOEX introduced automated preparation of documents for exchange-traded bonds: exchange-traded bond programs, issue terms and the issuer's resolution to issue exchange-traded bonds, using the issuer's online account. A new tool to assist in the drafting of offering documents allows users to produce a ready-to-use text based on a template, reducing labor costs and eliminating the risk of typographical errors.

To further simplify the issuing procedure, the Exchange allows the admission of bonds to trading without a securities prospectus.

As of the end of 2017, 1,903 securities from 667 issuers were admitted to trading, including 284 shares from 230 issuers and 1,439 bonds from 417 issuers. MOEX quotation lists now include 845 securities from 274 issuers.