

Fee and Commission Income

In 2018, all major fee and commission income lines grew. Fee and commission income remained well diversified; the Money Market, MOEX's largest market business, accounted for 27% of total fee and commission income. The growth leaders were the Equities, Derivatives and Money Markets.

Fee and commission income structure, RUB mln

	2017	2018	Change 2018/2017	Change 2018/2017
Money Market	5,650.0	6,389.8	739.8	13.1%
Depository and Settlement Services	4,183.9	4,530.7	346.8	8.3%
FX Market	3,827.0	3,990.0	163.0	4.3%
Derivatives Market	2,012.0	2,318.9	306.9	15.3%
IT services, listing fees and other fees and commissions ¹	1,942.0	2,312.0	370.0	19.1%
Bond Market	1,982.5	2,173.5	191.0	9.6%
Equity Market	1,610.2	1,932.2	322.0	20.0%

MONEY MARKET

Fees and commissions from the Money Market grew 13.1% YoY to a record RUB 6.39 bln. Trading volumes declined 3.4% YoY to RUB 364.22 trln due to lower volumes of repo with the CBR (-97.7% YoY) and interdealer repo (-31.4% YoY). The decrease was partially offset by GCC repo, where volumes were up 7.6x YoY. The shift towards value-added GCC repo along with extension of repo terms supported the effective fee on the Money Market.

DEPOSITORY AND SETTLEMENT SERVICES

Fees totaled RUB 4.53 bln, up 8.3% YoY. The growth was driven by higher depository income (as average assets on deposits were up 16.4% YoY to RUB 42.8 trln). At the same time, volumes of repo transactions with collateral management through NSD decreased by 58.8% YoY, which had an adverse effect on total income of the depository.

FX MARKET

Fee & commission income from the FX Market increased 4.3% YoY to RUB 3.99 bln. Trading volumes remained nearly flat (+0.2% YoY) at RUB 348.37 trln. Spot trading volumes increased 10.6% YoY, while swap and forward trading volumes were down 2.8% YoY. A shift in demand to higher fee spot instruments supported the effective rate.

DERIVATIVES MARKET

Derivatives trading volumes increased by 5.6% YoY, due to double-digit growth of trading volumes of commodity and single-stock contracts (+29.0% YoY and +30.6% YoY, respectively). Trading volumes of index contracts grew by 2.9% YoY. A shift of interest towards commodity and single-stock contracts helped achieve an increase of fee and commission income, outpacing trading volumes: fees and commissions grew 15.3% YoY to RUB 2.32 bln.

BOND MARKET

Fee income from the Bond Market increased 9.6% YoY to RUB 2.17 bln. Trading volumes of bonds (excluding overnight bonds) grew by 28.1% YoY to RUB 21.22 trln. The effective fee in the Bond Market declined due to the shorter average maturity of bonds placed. In particular, this was due to a higher proportion of CBR bonds in the primary market.

EQUITY MARKET

Fee and commission income from the Equity Market grew by 20.0% YoY to RUB 1.93 bln. Trading volumes in the market in 2018 totaled RUB 10.83 trln versus RUB 9.19 trln in 2017. The total market capitalization of companies listed on MOEX was RUB 40.2 trln (USD 600.2 bln) as of 31 December 2018.

1. Other fees and commissions include sale of software and technical services, information services and other fee income.

IT SERVICES, LISTING AND OTHER FEES AND COMMISSIONS

Fees from IT services, listing and other services were RUB 2.31 bln, up 19.1% YoY. Sales of information services contributed RUB 792.4 mln, up 2.9% YoY. Income from sales of software and technical services grew by 10.3% YoY to RUB 695.9 mln. Listing and other service fees from the Equity and Bond Market decreased by 13.8% YoY. Other fee and commission income increased twofold to RUB 485.4 mln, thanks to income from the Commodities Market.

Net interest and other finance income

Net interest and other finance income declined 7.1% YoY and amounted to RUB 16.06 bln. The decrease was mainly caused by a smaller effect from revaluation of the investment portfolio¹. Excluding that impact, net interest and other finance income was down just 2.9% YoY. The average size of the investment portfolio for 2018 was RUB 670.06 bln (2017: RUB 748.59 bln).

Other operating income

Other operating income in 2018 was RUB 193.3 mln, of which RUB 117.5 mln was the result of an adjustment to a provision for expected credit losses on the securities portfolio. The provision was made in early 2018 following adoption of the IFRS 9 standard.

Cash and cash equivalents

The cash position² at year-end 2018 amounted to RUB 89.73 bln. The company had no debt as of 31 December 2018.

Operating expenses³

Operating expenses grew by 7.6% YoY in 2018 to RUB 14.45 bln. Personnel expenses increased by 5.8% YoY to RUB 6.51 bln. General and administrative expenses grew by 9.1% YoY to RUB 7.94 bln on the back of higher amortization expenses (up 34.1% YoY) and spending on services of grain elevators intended to grow the Grain Market and included into professional services costs (+34.3% YoY). Excluding those two expense items, general and administrative expenses grew just 0.2% YoY.

Other operating expenses

In 2018, the Exchange recognized other operating expenses of RUB 1.08 bln. They consisted of two components: 1) a provision of RUB 856.4 mln made in Q1 2018 due to an unprecedented operating error that occurred during the default management process with respect to a clearing member. The provision was written off throughout 2018, and 2) a RUB 218.3 mln (25% of the claim amount) provision with respect of a claim against the Exchange. The latter provision was made in Q2 2018 to cover 100% of the amount claimed by the plaintiff and then 75% reversed in Q4 2018 following a judgment in the Exchange's favor in the cassation court.

Capital expenditures

Capex amounted to RUB 2.01 bln. The majority of capex went toward software development and enhancement, as well as purchases of equipment and software.

1. Net gain/(loss) on financial assets available-for-sale.

2. Cash position is calculated as the sum of cash and cash equivalents, financial assets at fair value through profit and loss, due from financial institutions, investments available for sale less balances of market participants, distributions payable to holders of securities and margin account.

3. Net of other operating expenses.

Expense structure, RUB million

	2017	2018	Change 2018/2017	Change 2018/2017
General and administrative expenses	7,278.9	7,941.4	662.5	9.1%
Depreciation of property and equipment	1,464.3	1,343.9	-120.4	-8.2%
Amortization of intangible assets	1,488.2	1,995.6	507.4	34.1%
Equipment and intangible assets maintenance	1,120.1	1,205.5	85.4	7.6%
Professional services	426.3	572.6	146.3	34.3%
Taxes (other than income tax)	540.0	554.3	14.3	2.6%
Market maker fees	522.2	517.0	-5.2	-1.0%
Other administrative and other expenses	308.5	257.2	-51.3	-16.6%
Registrar and foreign depository services	292.2	292.3	0.1	0.0%
Rent and office maintenance	475.3	484.6	9.3	2.0%
Communication services	123.3	104.7	-18.6	-15.1%
Information services	187.7	237.6	49.9	26.6%
Advertising costs	330.8	376.1	45.3	13.7%
Personnel expenses	6,152.9	6,512.3	359.4	5.8%
Employees benefits except for share-based payments	4,932.7	5,250.8	318.1	6.4%
Payroll related taxes	952.3	975.7	23.4	2.5%
Share-based payment expense on equity settled instruments	242.2	273.3	31.1	12.8%
Share-based payment expense on cash settled instruments	25.7	12.5	-13.2	-51.4%