

MICEX: On the way to top 5



May 31, 2011

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MICEX & MARKET TODAY

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MICEX IN 2015

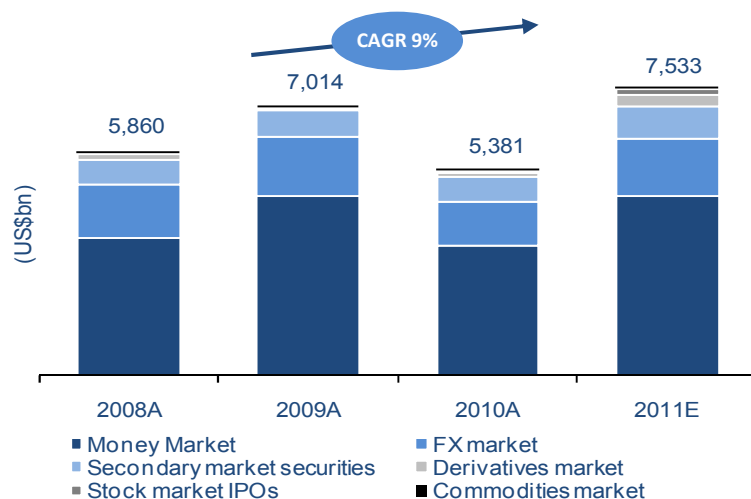
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KEY CURRENT DEVELOPMENTS

MICEX – Growth is Picking Up

The biggest exchange in the CIS & CEE...

Transaction Volumes

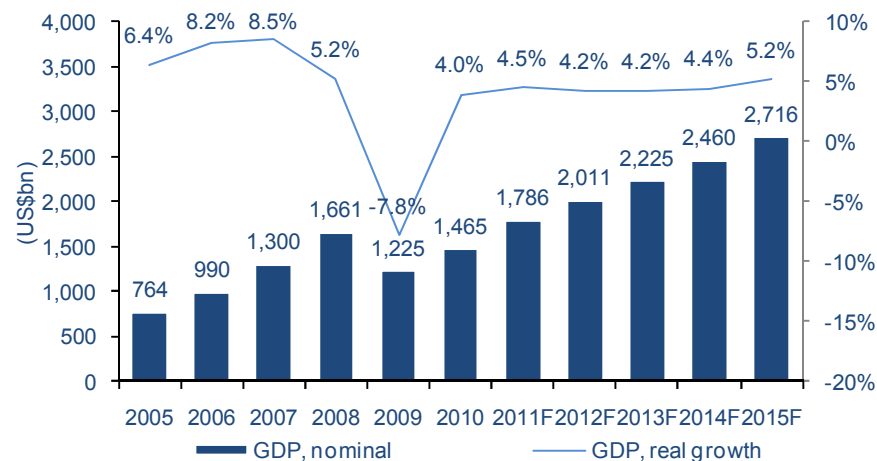


Source: World Federation of Exchanges (WFT)

- MICEX Stock Exchange is within Top 20 platforms in the World
- MICEX is the largest Stock Exchange in CIS & CEE by market turnover (~63% of total trading volume)
- MICEX turnover velocity of 49.5%¹ is in line with LSE and exceeds other CEE peers

...in the fast growing economy

GDP forecast



Source: Rosstat, VTB Capital Research

- GDP growth in 2011 is expected at 4.5%
- Oil prices are back to historic highs exceeding USD 90
- Ruble exchange rate has stabilized at 28-30 per USD
- Reserves are back to pre-crisis levels
- 2011 inflation is expected at 6%² down from 9% last year
- 2011 unemployment forecast down from 8.5% to 6.8%³

MICEX is the best positioned to benefit from economic recovery and growing volume of trading

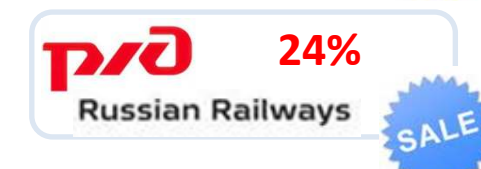
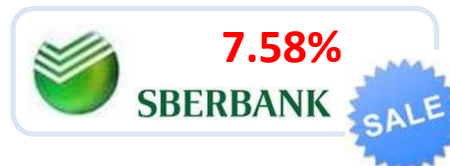
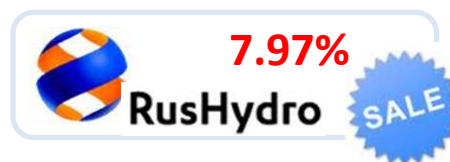
Privatization plans for 2011-2013*

Plans & Expected Results

- ✓ 100% spin off – 35 Companies
- ✓ Share Reduced in 10K Companies
- ✓ Sale of objects in federal ownership – 73
- ✓ Creating convenient conditions for foreign investors

Expected Sale Proceeds:

- ☐ in 2011 ~ \$ 11 billions
- ☐ by 2013 ~ \$ 34 billions



UNPRECETENTED OPPORTUNITY OF WEALTH TRANSFER

Product matrix

| | Cash Equities | Fixed income | REPO | FX Trading | Derivatives |
|--------------------------|--------------------------|--------------------|------|------------|----------------|
| Trading | ✓ | ✓ | ✓ | ✓ | Trading volume |
| Listing/NPI ¹ | IPO | ✓ | ✓ | ✓ | ✓ |
| Clearing | CCP ² | CCP | CCP | ✓ | CCP |
| Settlement | Central Depository | Central Depository | ✓ | ✓ | ✓ |
| Data & Information | Online data availability | | | | |

Strong organic growth potential



Note:

- (1) New product introduction
- (2) Central Counter Party

- Areas of expertise
- Key areas for development

Market Segmentation by Product

| | Market share ³ 2010 | | | |
|--------------|--------------------------------|-----|-----|--------------------|
| | MICEX | RTS | OTC | OTHER ¹ |
| Equities | 32% | 9% | 43% | 16% |
| Money Market | 84% | 3% | 13% | N/A |
| Fixed Income | 97% | N/A | 3% | N/A |
| FX | 43% | N/A | 57% | N/A |
| Derivatives | 5% | 88% | N/A | 7% |

Key outcomes

- MICEX has presence in ALL trading markets
- Strong product pipeline across markets should ensure positive future revenue stream
- Legislative developments lay base for easier & faster TTM and stability for foreign investors
- Introduction of infrastructural upgrades strengthens MICEX competitive positioning

Daily average trading volume (USD mln)

| | 2009 | 2010 | J-A, 2011 |
|----------------------------------|---------------|---------------|---------------|
| FX Market | 12,056 | 10,550 | 9,664 |
| Federal Bonds Market | 4,102 | 3,404 | 6,165 |
| Cash Equities Market | 3,359 | 3,998 | 5,757 |
| Corporate and Regional | 1,877 | 4,499 | 5,697 |
| Fixed Income Market | | | |
| Derivatives Market | 76.7 | 200.3 | 226.4 |
| Commodity Market (Grain Futures) | 5.7 | 5.9 | 6.1 |
| Total | 21,479 | 22,661 | 27,515 |

MICEX is well positioned from revenue side to further development

MICEX's Post-Trading Infrastructure

National Settlement Depository

- Largest settlement depository in CIS&CEE's
- Services all types of securities
- Transfer agent for dividends, coupons and other payments to securities' holders
- Settlement and custody operations

Highlights & Performance (2010)²

- Total value of securities held in custody, USD bln 253
- Total Assets, USD bln 2.5
- Total Equity, USD mln 267
- Revenue, USD mln 70
- Net profit, USD mln 36

National Clearing Center

- Member of European Association of CCP Clearing Houses (EACH)
- Operates as CCP for the MICEX FX market
- Settlements based on PVP¹ principles
- Covers risks of clearing participants' default

Liquidity Management Highlights (Mar 20, '11)³

| Liquidity sources | RUB , Bln | USD , Bln | EUR, Bln | Total, USD bln |
|---|--------------|-------------|-------------|----------------|
| Capital | 8.3 | - | - | 0.29 |
| MICEX Group companies' funds | 109 | - | - | 0.39 |
| Funds of MICEX FX market participants | 10.7 | 2.35 | 0.47 | 3.4 |
| Funds of MICEX securities market participants | 105 | - | - | 3.72 |
| Total | 134.9 | 2.35 | 0.47 | 78 |

Note: (1) payment vs. payment

(2) Source: National Settlement Depository (<http://www.nsd.ru>)

(3) Source: National Clearing Center (<http://www.nkcbank.ru/>)

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MICEX TODAY

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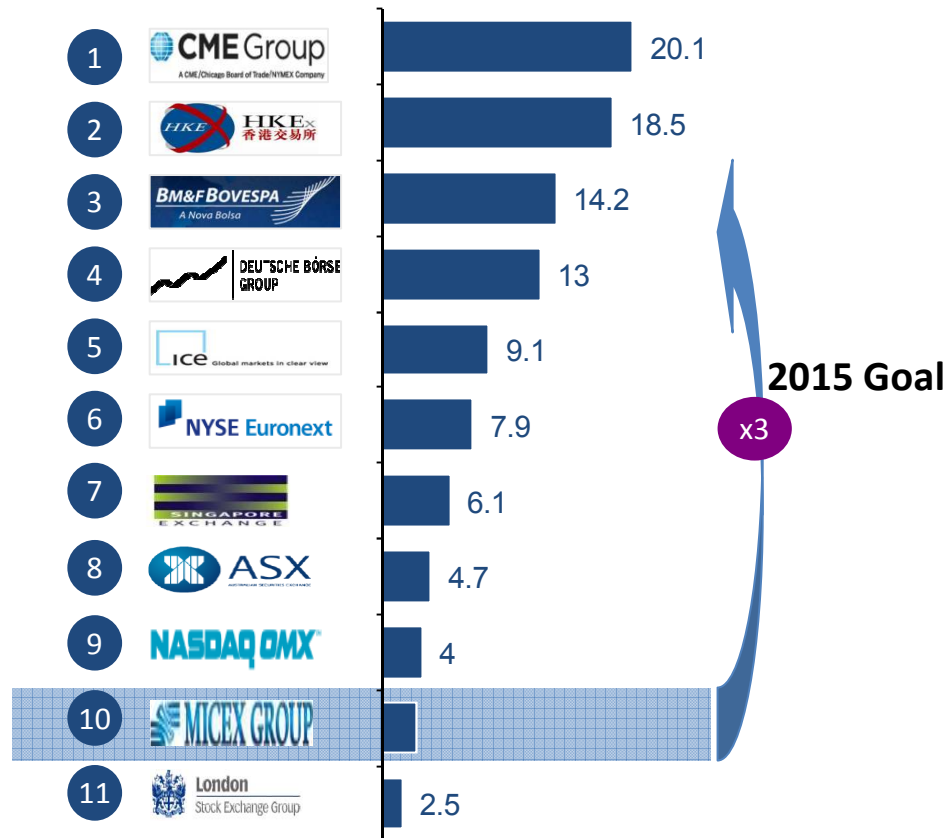
MICEX IN 2015

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KEY CURRENT DEVELOPMENTS

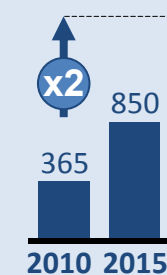
Current Position and Strategic Goals

Current Valuation (2010, US\$bn)

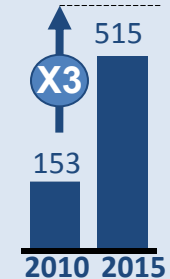


Financial objectives

Revenue
(US\$mIn)



Net Income
(US\$mIn)

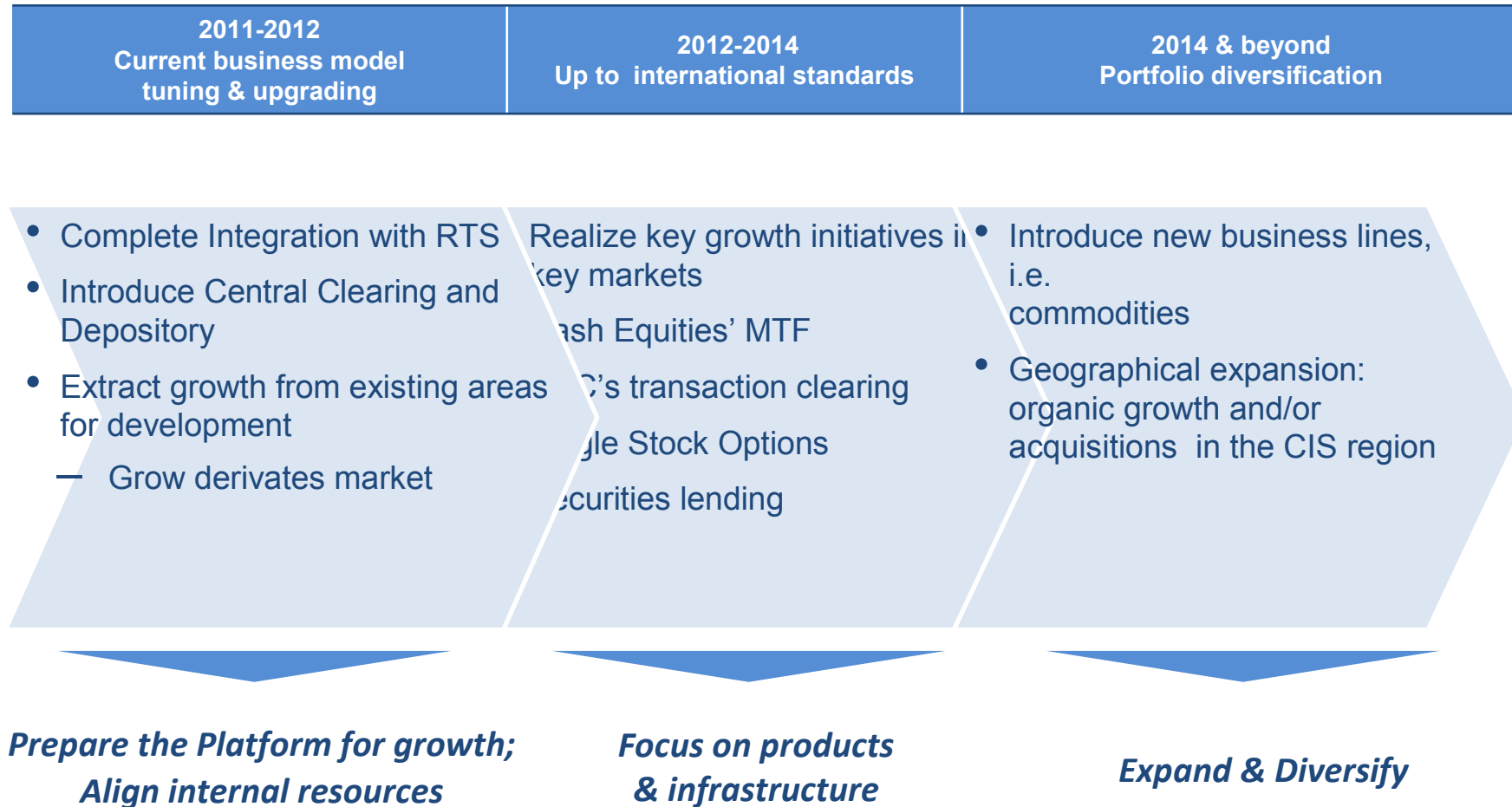


Performance Objectives

- Become the preferred stock exchange for Russian IPOs, traders and investors into Russian assets
- Roll out new products & services
- Make trading on MICEX comprehensive, comfortable and price efficient

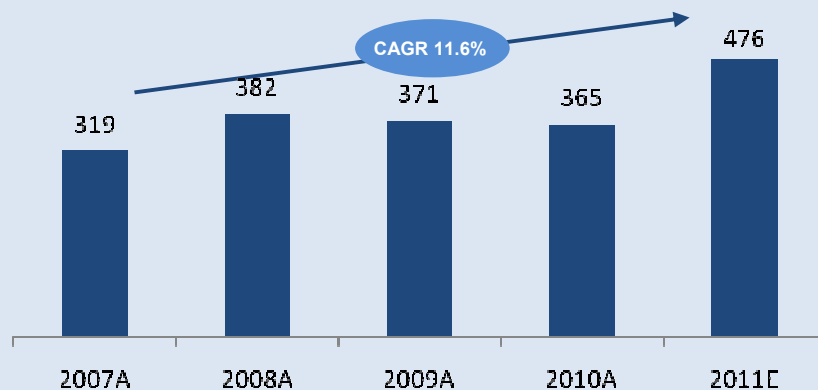
MICEX strategic goal is to triple its valuation by increasing revenues and maximizing net income profitability

Key Development Stages throughout 2015



Key financials

Revenue (USD mln)



Income Statement (USD mln)

| | 2009A | 2010A | 2011E |
|--------------------------|-------|-------|-------|
| Revenue | 371 | 365 | 476 |
| Operating profit | 240 | 204 | 271 |
| Profit before tax | 241 | 205 | 330 |
| Net profit | 192 | 159 | 211 |
| NI margin | 51.8% | 43.6% | 44.3% |

Key outcomes

- Overall market recovery drives growth
- Profitability in majority of product lines increases
- Introduction of products will drive further increase in revenue & net income
- Cost optimization will drive increase of operational efficiency

Source: MICEX audited IFRS statements 2010, MICEX budget 2011

Key Goals by Market

| | Market share Goal | Strategic Goals-2015 |
|------------------|-------------------|---|
| Cash Equities | Grow | <ul style="list-style-type: none"> Retain a leading position in the Cash Equities Market Become preferred listing & trading floor for Russian/CIS issuers Increase international investors' share in cash equities trading volumes Introduce T+ / <100% deposit requirements |
| Fixed Income | Maintain | <ul style="list-style-type: none"> Take advantage of the corporate RUB nominated bonds volume growth including bonds traded at MICEX Facilitate simplification of the utilization of bonds by corporate clients |
| Repo | Maintain | <ul style="list-style-type: none"> Retain a current position as the 3rd party provider of services Employ the CCP trading potential |
| FX | Maintain | <ul style="list-style-type: none"> Minimize the market share loss to OTC trading, including electronic OTC trading (EBS/ICAP), both on spot and swap transactions Use the non-price bound leverage to limit expected decline in prices |
| Derivatives | Grow | <ul style="list-style-type: none"> Gain a leading position in derivatives markets for Russian/CIS financial instruments through acquisition of RTS Develop new products and services including stock options, interest rate derivatives and other Upgrade clearing of the OTC transactions |
| Other businesses | Grow | <ul style="list-style-type: none"> Develop and improve trading data dissemination services Commodities could potentially become a material share in MICEX business, however it is not a first priority, since creating platform will require significant efforts while the return is not guaranteed |

Source: McKinsey research

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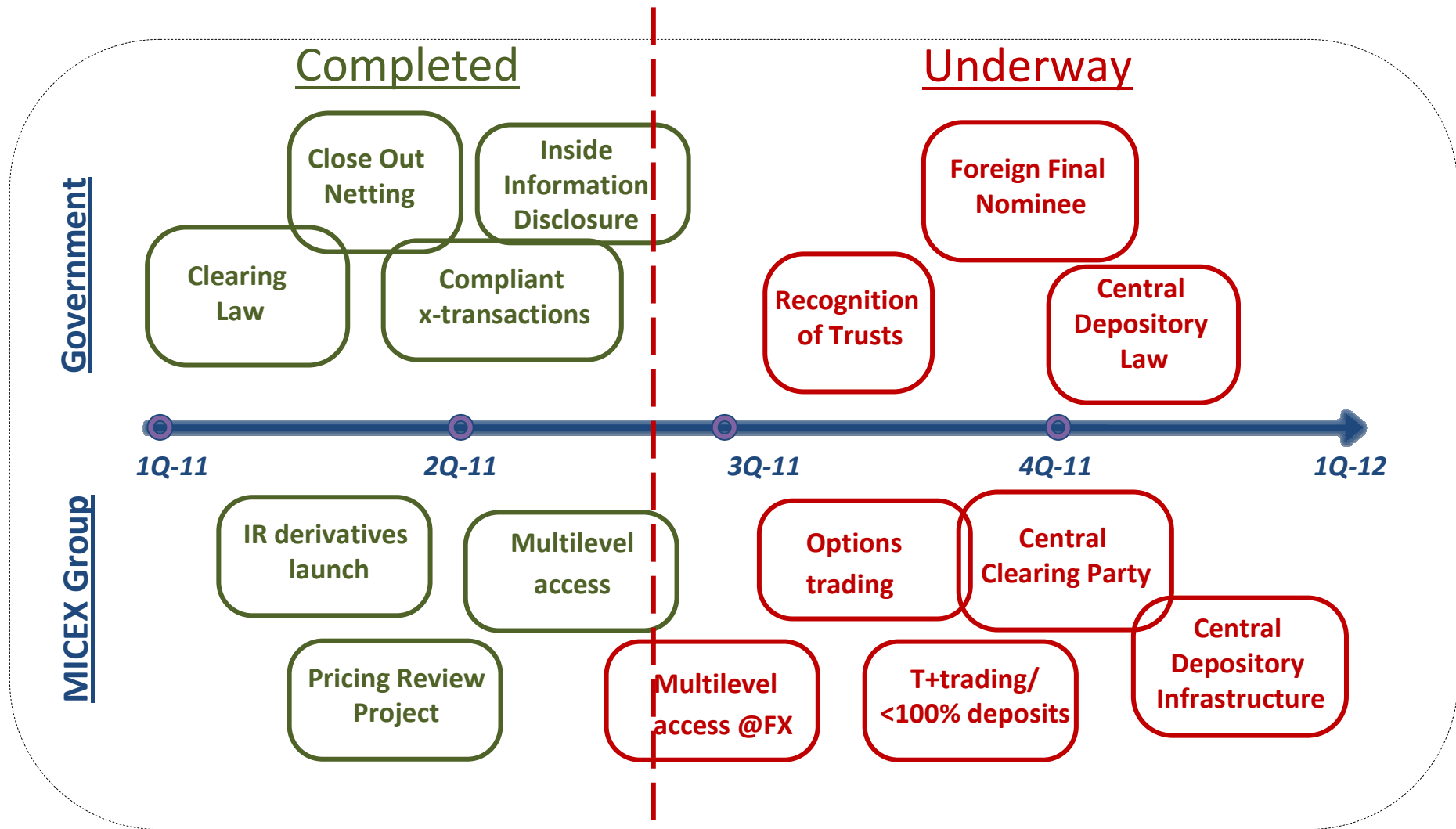
KEY CURRENT DEVELOPMENTS

The Last 12 Months Key Developments

| | |
|--|---|
| Qualitative | <ul style="list-style-type: none">• New Management Team• 2015 strategy adopted; implementation is underway• Clearing Concept adopted• Merger with RTS (in process) |
| New Products & Services | <ul style="list-style-type: none">• Established Interest Rate Derivatives Market• Introduction of Central Counter Party (pilot)• Multilevel access to FX market for non-resident clients• Introduction of SPAN Risk Management system in Derivatives Market• FX market Risk Management System is rolled out |
| Legislation & Qualification | <ul style="list-style-type: none">• A Clearing Law is passed and come into force on Jan 1, 2012• Central Depository Law (1st reading underway)• Legislation on Foreign Security's listings• Regulation on multilevel access to stock exchanges for non-resident clients• UK HMRC¹ qualified MICEX as a "Recognized Exchange" |

Note: (1) Her Majesty's Revenue and Customs

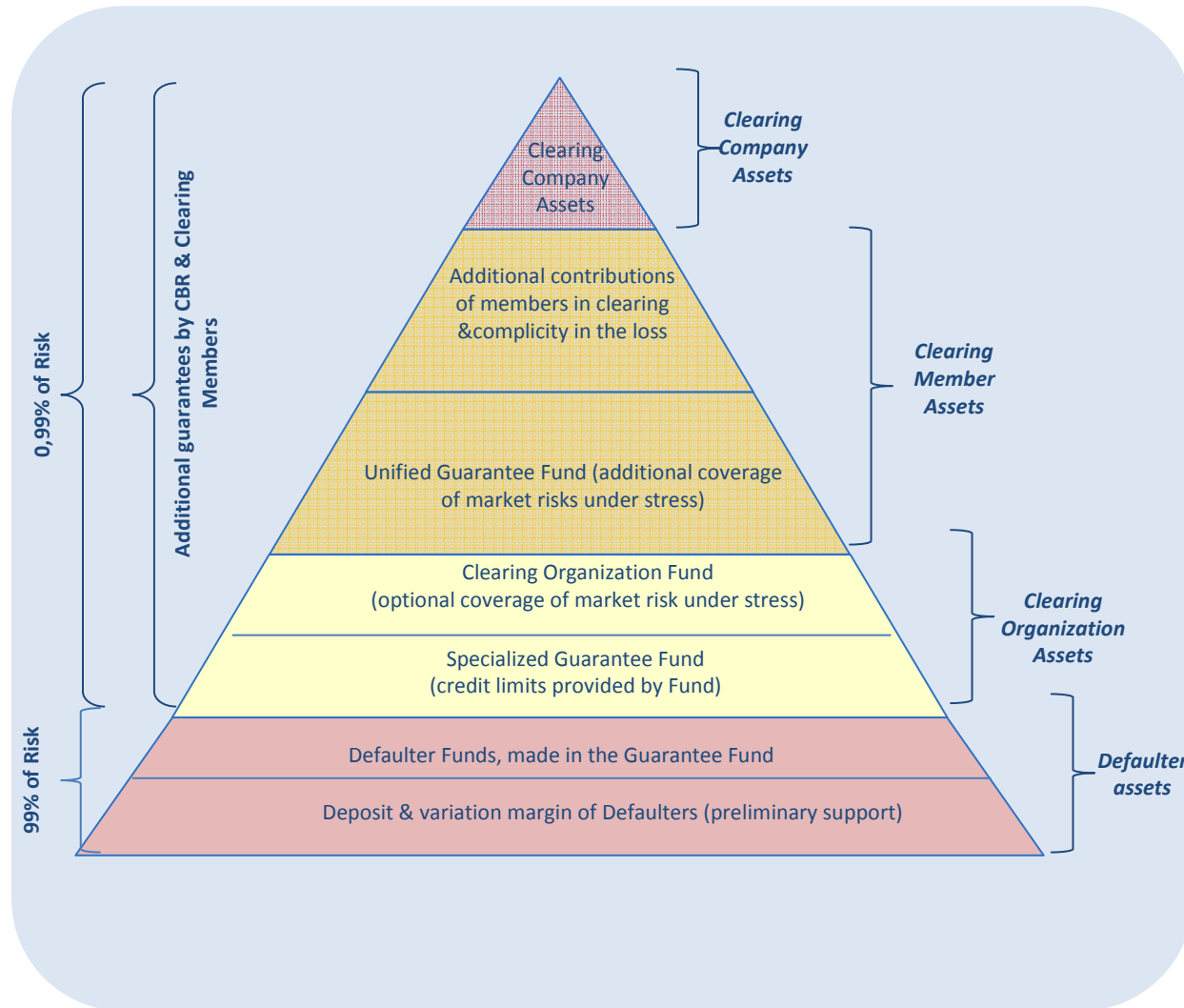
MICEX Tactical Roadmap



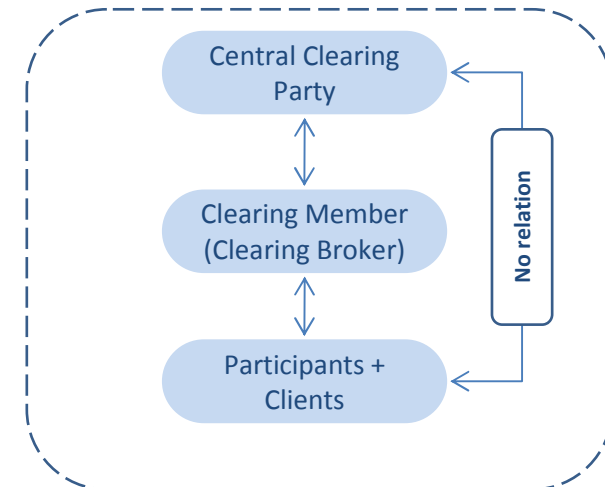
Infrastructural changes must be aligned with legislative developments

Double Tier Clearing Implementation

Risk Distribution Model



2013 and beyond



- Clearing Members guarantee fulfillment of liabilities by their clients to Clearing Organization
- In case of default, Clearing Organization utilizes Defaulters' assets to cover losses. In case total losses exceed available Defaulter's assets, Clearing organization utilizes its funds and assets
- Central Bank and Clearing Members can provide additional support in the form of guarantees in times of high market volatility

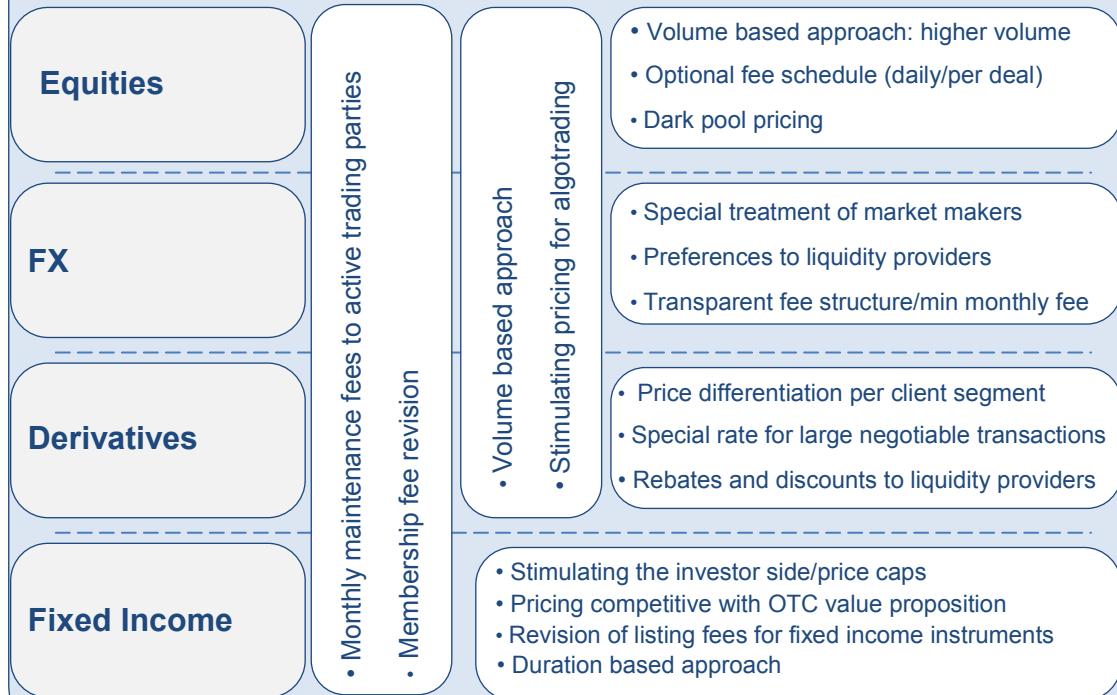
Introduction of clearing members concept will significantly enhance clearing stability in critical situations

MICEX Pricing Revision vs. Best Practice

World's Industry Key Trends

- 1 Pricing per client segment
- 2 Granulated pricing within each segment
- 3 Additional incentives to liquidity volume providers
- 4 Separate treatment of Algotrading /HFT¹

MICEX initiatives



Pricing is a key driver for revenue increase and participant's behavior

Thank you!

Sergei Sinkevich

Vice President - Client Relations

E-mail: sinkevich@micex.com

Phone: +7 (965) 321-9956

Moscow, Bolshoy Kislovskiy per., 13