

Statement from the Chairman of the Supervisory Board



Oleg Viyugin

*Chairman
of the Supervisory Board*

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

DEAR SHAREHOLDERS,

I am pleased to present to you the report of the Supervisory Board on Moscow Exchange Group's achievements across priority areas in 2019.

Last year was a year of significant change and important innovations at Moscow Exchange. The company successfully delivered on the key priorities set by the Supervisory Board, including: maintaining uninterrupted availability and reliability of MOEX's services, development of the risk management system, automation of business processes, attracting retail investors and growing fee and commission income while also optimizing costs. Fee and commission income increased by 11% in 2019. The number of retail investors registered on the Exchange doubled during the year. Current expenses grew slower than fee and commission income, and were in line with guidance.

In 2019, the Exchange completed delivery against its 2015–2020 strategy ahead of schedule. The most important project rolled out under this strategy was the Unified Collateral Pool, which allows market participants to create a single trading and clearing account with unified collateral requirements, settlement netting and cross-margining across all markets. Other key elements of the Russian financial market infrastructure were modernized in line with international standards: listing and corporate governance rules were reformed, and sponsored market access (SMA) was introduced on the equities, foreign exchange and derivatives markets. The Exchange expanded its product line with the launch of repo transactions with general collateral certificates (which became the fastest growing segment of the Money Market for a short time) and exchange-traded mutual funds, a product that quickly became popular with retail investors. Trading in new currency pairs and deliverable futures was also launched.

In addition, the Exchange expanded its client base, with non-financial companies gaining direct access to trading. The Exchange also entered new markets: an OTC platform for the debt market was created, providing market participants with access to global currency liquidity.

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On the back of the early implementation of the 2015–2020 strategy, the Supervisory Board initiated work on a new five-year Group strategy through 2024. The new strategy was adopted in the fall of 2019, and is in line with modern technological trends while addressing specific challenges facing the Exchange and taking into account the interests of all stakeholders. For our clients, we will continue to be a reliable infrastructure partner, helping them to promote their services through new digital market access channels. We will continue to create value for our shareholders, and our employees will continue to work in an environment founded on trust and responsibility.

The new strategy aims both to increase the flexibility of existing exchange services and to develop new digital channels for financial institutions to distribute services to individuals and companies. Under the new strategy, the Group plans to increase availability and hours of trading, expand the range of available products and services, and maintain MOEX's customer offering at the level of the leading international exchange platforms.

Particular attention will be paid to working with investors and issuers seeking to raise funds via securities issuance on the capital markets, as well as diversifying the product line and doing more with market data. Another area of focus will be accelerating business processes, reducing the time to market for new products, and maintaining superior reliability and cyber resistance of key systems.

The implementation of the new strategy has been entrusted to the new CEO and Chairman of the Executive Board, Yury Denisov, who was appointed in May 2019. Yury has served for a decade on the Supervisory Boards of the Exchange and NCC. He was a key member of the team that prepared the new strategy and has deep knowledge of financial markets and understanding of the Exchange's operations.

In 2019, the Exchange also adopted a new dividend policy, which ensures greater predictability and stability of dividend payments to shareholders. It takes into account the Group's long-term development and financial stability, as well as the importance of strengthening MOEX's investment case. The company plans to direct all free cash flow to dividends, while the minimum level of dividend payments was increased from 55% to 60% of net profit.

The new strategy necessitates an expansion of expertise and skill sets, including at the Supervisory Board level. As a number of independent directors who contributed to the Board's work in recent years have left the Board, we proposed to renew Board membership by adding leading experts in information technology, financial infrastructure, marketplaces and digital products. Importantly, two-thirds of the candidates for the new Supervisory Board are independent, underscoring the Exchange's commitment to maximum transparency for shareholders and investors.

I would like to say thank you to all members of the Supervisory Board for their excellent work and significant contribution to the development of the Exchange over the last year. Special thanks are due to the four directors who will step down from the Board in the next corporate year: Ilya Bakhturin, Mikhail Bratanov, Yury Denisov and Rainer Riess. All of them have made an invaluable contribution to the company's development. Yury Denisov leaves the Supervisory Board after becoming CEO of the Exchange last year.

Finally, I would like to express my gratitude to the shareholders and customers of Moscow Exchange for their trust, support and close cooperation as we continue to improve market infrastructure and develop Russia's financial markets. As we look ahead, the Supervisory Board will continue to work closely with MOEX management to support the long-term sustainable development of the Exchange.