



Grant's Pariah Panel – Russia
Ian Hague – Firebird Management

October 2014



Firebird Management

- **Firebird Management LLC is based in New York City** and, through affiliates, maintains representative offices in Estonia and Lithuania
- We manage approximately **US\$1.0 billion** in ten Emerging Markets funds including six portfolio funds, three private equity funds and one hybrid
- Firebird has a track record of **20 years** and principals **Harvey Sawikin** and **Ian Hague** are among the few Eastern Europe focused managers that have invested in the region over several investment cycles
- Always close to regional markets, Firebird managers and analysts hold 500+ company meetings per year, and, including our Amber private equity JV, serve on 10 Boards of Directors of the funds' portfolio companies
- Firebird funds have created over **US\$1.5 billion** of value over the years, and distributed over **US\$2.8 billion** back to our investors**
- Firebird is an SEC registered Investment Advisor
- Firebird has a stable investor base with long-term orientation. Investors are mainly HNW individuals, family offices, pension funds; Principals currently own over 30% of several Firebird funds

Past performance may not be indicative of future results

***as of December 31, 2013*

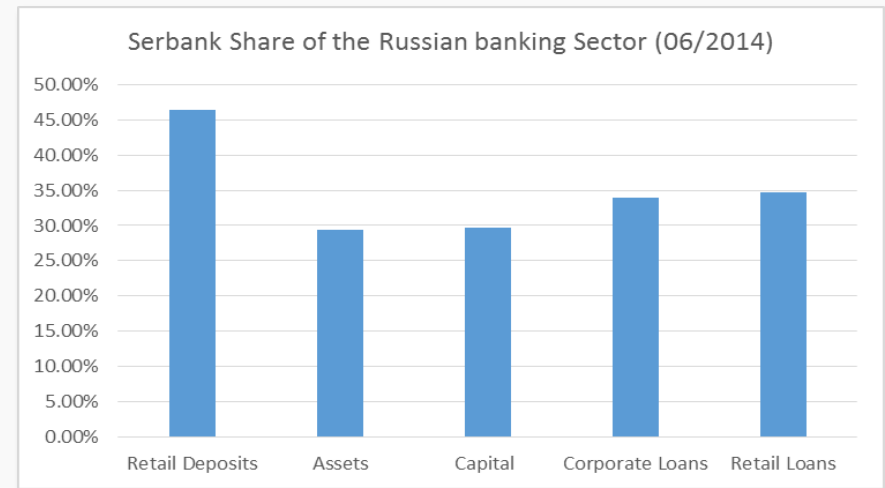


- Systemic in a good way: Too Big to be Messed With
- Plenty of growth opportunity: Despite being 8th biggest economy in the world, Russia is still relatively underdeveloped banking environment.
- Simple and Profitable: Sustainable competitive advantage coming from the safe haven status
- Cheap: Sanction inspired sell-off created a unique buying opportunity



Sberbank – Systemic Position

- With 45%+ deposit market share, company redefines “Too Big to Fail”
- Run as a commercial institution, not an instrument of the state
- Uneconomic loans are kept to a minimum (e.g. Olympics)
- Safe haven in times of crisis – customer deposits flow from riskier institutions

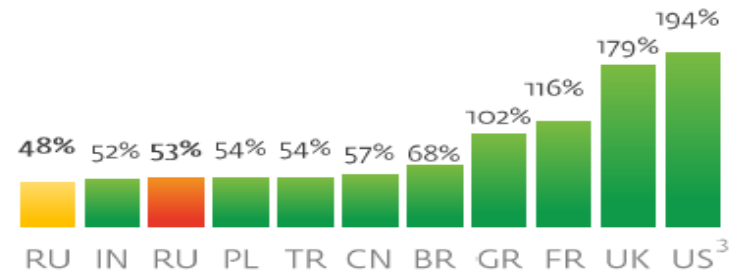


Sberbank – Macro Growth Opportunity

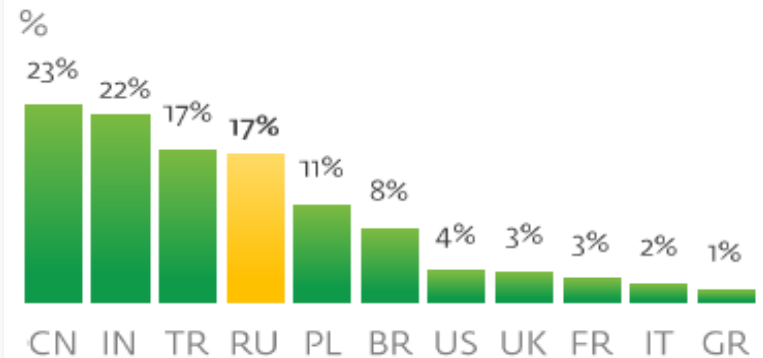
- Russia is 8th biggest economy in the world
- Banking Sector is still very much under-penetrated by global and regional standards
- Low level of leverage in the system with combined household and government debt at around 30% of GDP
- Sector is primarily domestically funded with Loan/Deposit ratio of only 120

HIGH SECTOR GROWTH POTENTIAL

2013 DOMESTIC LOANS TO PRIVATE SECTOR
% OF GDP



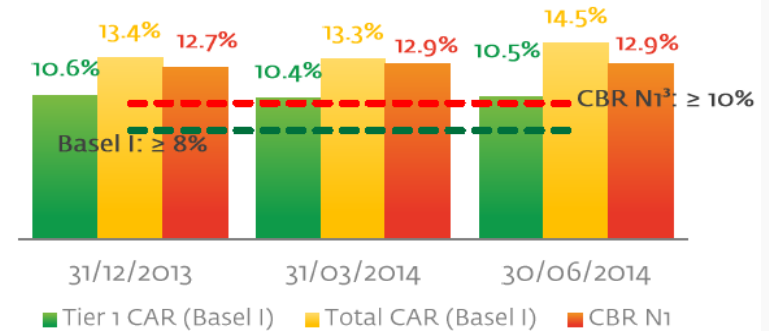
2011-15 BANK LOANS CAGR FORECAST



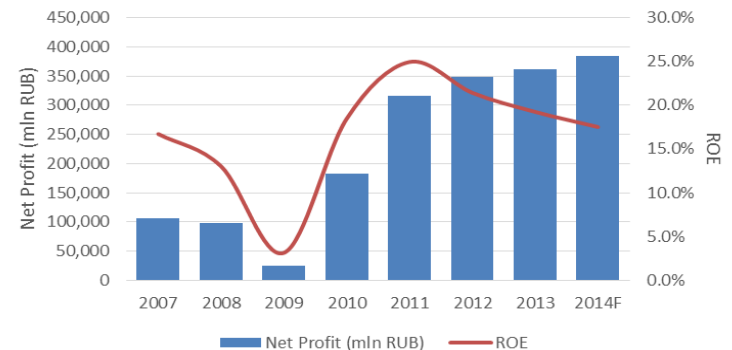
Sberbank – Simple, Safe and Profitable

- Sustainable historical ROE of 20%+ coming from high net interest margin (5%+)
- Capitalized well above national and Basel requirements
- Makes money through lending activity – not derivative trading
- Was able to stay profitable even in 2009 when Russian economy contracted by 8%
- Net Profit grew by 240% since 2007

CAR RATIOS

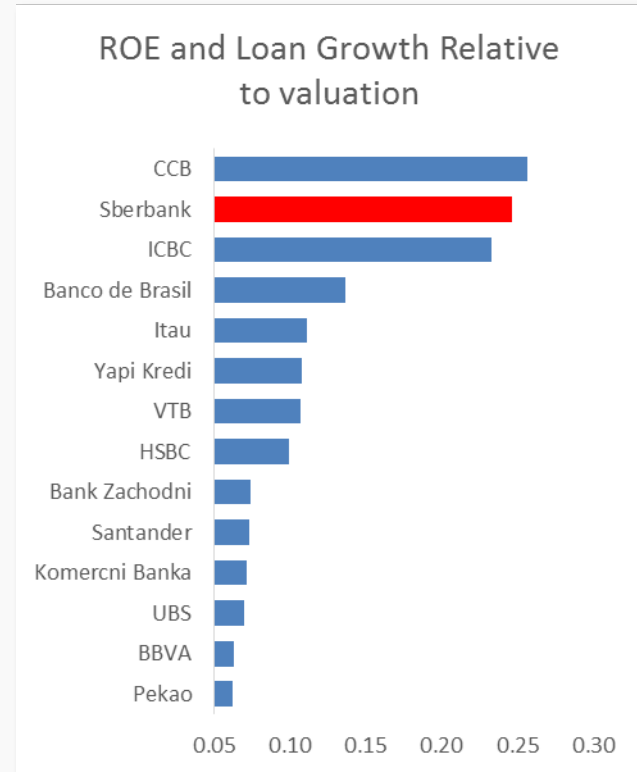


Profitability and ROE



Sberbank - Cheap

- Trading at 0.7x BV and 2014 P/E of 4.6x
- Growing at 10-15% per year
- 5% dividend yield



Source: Bloomberg
Banks are ranked on 2014 Estimated ROE multiplied by 2014 loan growth rate divided by P/B as of 10/17/2014



Moscow Exchange Investment Case



- Sustainable competitive advantage
- Long-term growth prospects
- Good Corporate governance
- Undemanding Valuation



Moscow Exchange – Competitive Advantages

- Networking effects (buyers attract sellers and vice versa)
- Scale and efficiencies cement incumbent's position
- Unimpaired economics and monopolistic pricing power; no regulatory push to disintermediate
- The Central Bank of Russia, MOEX regulator, shareholder and big client, mandates that certain Fx, derivatives and fixed income transactions take place on exchange
- In everyone's interest to keep MOEX functioning, fair and clean



Moscow Exchange - Growth

➤ Secular growth

- Low base - Russia's Market Cap to GDP is ~ 35%, its a fraction of developed world's, and trails that of peer BRICs
- Legal framework in place: 15 years+ in the making, enables T+2 trading; direct access for bond and now equity trading via Euroclear and Clearstream
- IPOs/SPOs of Russian issuers (double-listings becoming common/encouraged)
- State Privatizations: MOEX pipeline estimated at \$10 bln + in next 3 yrs.
- Positive impact on volumes from change in pension fund rules and tax incentives for individual accounts

➤ Integrated Business model

- Access across securities markets: Equities, Bonds, Fx, Derivatives
- Services up / down value chain: Trading, Settlement, Data, Analytics
- Low hanging fruit opportunities in analytics and data



Moscow Exchange - Valuation

➤ Undemanding Valuation

- Forward 2014e P/E ~10x and FCF Yield ~ 9.0%
- Dividend yield 5%+ on 2014E, 50% payout based on IFRS financials
- Implied ~ 40% discount to peers that lack same growth drivers, face increasing competition from alternative trading platforms and broker-dealer dark pools

➤ Good corporate governance

- former Finance Minister Kudrin is chairman of supervisory board
- Competent executives, technically savvy operating managers
- Over 50% of shares in free-float (rarity among Russian companies)



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ADDITIONAL MATERIALS AVAILABLE UPON REQUEST

Firebird Management LLC

152 West 57th Street, 24th floor, New York, New York 10019

Tel: +1 212.698.9260 Fax: +1 212.698.9266

E-mail: edaleo@fbird.com

<http://www.fbird.com>



Contact

Firebird Management LLC

152 West 57th Street, 24th floor, New York, New York 10019

Tel: +1 212.698.9260 Fax: +1 212.698.9266

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