MOSCOW EXCHANGE

MOEX Q4 and FY 2019 IFRS results conference call

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Moscow Exchange Speakers:

- Yuri Denisov, CEO
- Max Lapin, CFO
- Anton Terentiev, Director of IR

Participants asking questions:

- Elena Tsareva, BCS Global Markets
- Andrey Pavlov-Rusinov, Goldman Sachs
- Li Tan, J.P. Morgan Asset Management
- Andrey Klapko, Gazprombank
- Sergey Garamita, Raiffeisen Bank
- Pawel Wieprzowski, WOOD & Co
- Andrew Keeley, Sberbank CIB
- Samarth Agrawal, Citi
- Andrey Mikhailov, SOVA Capital
- Robert Bonte-Friedheim, Millennium Capital

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Anton Terentiev – Director of IR

Good afternoon everyone, and welcome to Moscow Exchange FY and Q4 2019 IFRS results conference call. As usual, after prepared remarks we will have a Q&A session. Today we have on the call our CEO, Yuri Denisov, and CFO, Max Lapin.

Before we start, I would like to remind you that certain statements in this presentation and during the Q&A session may relate to future events and expectations and, as such, constitute forward looking statements. Actual results may differ materially from those projections. The Company does not intend to update these statements to reflect events occurring after the date of the call prior to the next conference call.

By now, you should have received our press release containing the results for the full year and fourth quarter of 2019. Our management presentation is available on the Company's website in the Investor Relations section. I will now hand the call over to Yuri Denisov, CEO of Moscow Exchange. Yuri, please go ahead.

Yuri Denisov, CEO

Thank you. Good afternoon, ladies and gentlemen. I would like to start with a brief overview of our key achievements in 2019.

First, F&C income hit a record high on the back of 11% YoY growth, which came just in line with the 5-year CAGR. It nicely fits our strategic goal of maintaining the development momentum, which we adopted last October. It also highlights the robustness of our diversified and vertically integrated business model. Thus far in 2020, we are observing even stronger business volumes.

Second, this F&C growth was delivered in a cost-efficient manner, as OPEX increased by less than 7%, or 8% if we adjust for pass-through grain market expenses. This again shows our goal to maintain positive operating jaws between fees and costs. The Exchange is growing in a cost-efficient way.

In my first year as a CEO, a key focus was on upgrading risk management and streamlining decision-making. We have adopted the Stabilization 2.0 project that aims to digitalize key internal processes. We are also investing time and effort in compliance and ESG. I believe the company has become more reliable and resilient as a result.

I am also proud that we have delivered a continuation of our established dividend story. We introduced a formula-based policy that produced a payout ratio of 89%. MOEX is distributing to shareholders that much for the third straight year. I thank the Supervisory Board for this great recommendation.

I have also decided to abstain from nomination for the Supervisory Board in 2020, giving way for an independent director to step in, which, as we expect, will bring the total number of independent directors to at least 7 out of 12. My focus as the CEO will remain on making Moscow Exchange an even stronger and more sustainable company. I will now hand the call over to Max Lapin, our CFO. Max, please go ahead.

Max Lapin, CFO

Thank you, Yuri, and thank you all for joining us today to discuss Moscow Exchange's financial results.

Moving on to Slide 2, the delivery on strategic initiatives in 4Q 2019 and 2020 YTD. Let us start with the overview of key strategic deliverables since the start of the fourth quarter.

First, the Exchange expanded its product range. We observe continuous expansion of

the Russian-Law ETF offering. Today we have 20 Russian-law ETFs trading on our platform, compared to just two at the beginning of 2019. The Sustainability Sector launched in November helps issuers fund "green" and "social" projects that qualify under ICMA Green Bond Principles. The first five Russian green bonds trade already. Then we added six inaugural structured bonds registered under Russian law. Prior to that, such bonds existed under foreign law only. This product is especially relevant in the context of growing retail participation. It provides exposure to a variety of strategies across asset classes, but also contains downside protection, facilitating transition from deposits to securities. Etalon Group listed its DRs on the Exchange, bringing the total number of DRs and foreign-domiciled stocks of de-facto Russian businesses to 11. We are close to bringing all of our London-listed names back home, so to say. On the Derivatives Market, two new cash-settled futures began trading. Cash settled futures on natural gas track the CME Group's Henry Hub Natural Gas futures. Another one follows USD-denominated RUSFAR.

Second, we continued to work on new services. The Federal Treasury can now place funds through GCC repo auctions and enhance liquidity available in the Money Market. The new system facilitates the exchange of financial messages between banks and corporations. We call it Transit 2.0. Slavneft was the first corporate on board. It interacted with Sberbank and Credit Bank of Moscow. Request for Stream (RFS) is a new OTC service for FX Market participants that facilitates large block trading. RFS enables the liquidity taker to send a request for quotes to a number of liquidity providers. It is particularly relevant for corporates. In precious metals, we have launched a new trading link that connects local gold traders to London.

Third, we continued to develop the client base and partnerships. The number of unique retail clients approached 4.3 mln. 1 mln newcomers joined us in Q4 2019. The total number of Individual Investment Accounts (IIAs) has reached 1.9 mln, up threefold from 0.6 mln at the beginning of the year. The number of corporate issuers on the Bond Market continues to grow. In the fourth quarter, 102 corporates – including 30 newcomers – placed 212 bond issues raising more than a trillion rubles. We also welcomed KASE's transfer to our ASTS+ platform. MOEX signed an MoU with China Foreign Exchange Trade System to support the liquidity in the CNY/RUB pair. Finally, Highland Gold Mining became the first gold producer to join our precious metals market.

Let us move on to the pack of thematic slides. Slide 3: increased corporate activity on the Primary Bond Market. We have been saying that a lower key rate in Russia has translated into higher economic activity and found reflection in some of our markets. This is exactly what has been happening in the primary market. In financial year 2019, the number of corporate issues nearly doubled YoY, while the number of corporate issuers nearly tripled. The amount of debt capital raised was up a respectable 36% YoY. We also followed through with the initiative to transfer corporate bonds to T+1 trading mode, expanding the number of securities to 241. In 2019, we enjoyed high retail participation in the primary market as it climbed to 18% of the value of corporate and bank bonds.

Slide 4. Retail investment in 2019: ongoing growth. We have recently been getting a lot of questions on the value of retail investments into Russian securities. Today we are showing some findings, based on NAUFOR data. As you see, the value of retail ownership has been following the number of unique accounts quite closely. As of financial year 2019, it is an equivalent of USD 50 bln, which is a meaningful figure. It spills across all investment vehicles – brokerage IIAs, asset

management IIAs, managed accounts and brokerage accounts. The latter contained the biggest chunk of funds, so we show corresponding allocation by asset class as a proxy. Retail holdings in Russian equities make up about 1.5% of the market capitalization, which is not much. However, inflows are already high enough to absorb international investor outflows, a process we observed in 2019. Retail investors are helping to stabilize the market and make its structure healthier. Additionally, we estimate that retail ownership of Russian equities via local institutions is 4-5 times that of direct retail. Most of these institutions manage retail money. Continuous conversion from deposits into brokerage and asset management products will further increase the role of local players.

Slide 5. Moscow Exchange continues its established dividend story. We know that sustainability and predictability of our dividend story are crucial for our investors. This year we are applying the newly adopted formula-based approach for the first time. On the right-hand side, you can see the bridge from reported financials to the resulting dividend recommendation. Adjustments are for M&A outlay for KASE, NTpro, other possible deals and the change in the Group's regulatory capital. The payout ratio is in line with recent years and the DPS is almost at a historical high. This concludes our thematic pack.

Slide 6. Now let us discuss the fourth quarter financials. Operating income grew 11.5% YoY and fee income increased 12.8% YoY, contributing to a higher F&C share. NII rose 9.3% YoY, although Core NII decreased 3.2% on the back of subsiding interest rates. Operating expenses amounted to 4 bln rubles, adding 3.4% YoY. The cost-to-income ratio decreased by 2.8 pp YoY. Adjusted EBITDA surged by 15.7% YoY for a margin of 72.2%. Adjusted net income expanded 13.4% YoY.

Fee & commission income: strong and sustainable growth. It is our favorite slide that shows the robustness of the countercyclical business model. FY 2019 fee growth fits the trend perfectly. The growth came in a cost-efficient way, as the cost to F&C income ratio excluding D&A and provisions declined. The growth gap between fees and OPEX continues to be in the positive territory.

Next slide on diversified fee and commission income. F&C income growth of 12.8% YoY comes from every business line, except the FX Market. The leading contributors in absolute terms were the Bond, Equities and Derivatives Markets as well as Depository and Settlement Services. The mix remains well diversified.

Money Market. Both fee income and trading volumes from the Money Market were approximately flat YoY. The share of higher value-added CCP repo, including GCC, reached an all-time high of 88%. The discrepancy between the YoY performance of fees and volumes is due to the UCP-linked fee rate revision and IFRS adjustments.

The recent trends in the Money Market are shown on slide 10. The overall on-exchange repo terms are virtually stable, while GCC repo terms expanded by 30% QoQ. Open interest recovered at the end of the fourth quarter and is quite comparable to December 2018 values after the slump in August 2019. We have recently introduced a 30% discount on our corporate tariffs to ramp up activity. This means that growth in the effective fee is currently unlikely.

Slide 11. Fees and commissions from Depository and Settlement added 12.7% YoY. This growth was mainly driven by safekeeping fees, although other components also performed well. Average assets on deposit at NSD grew 15.5% YoY across all clusters, but more so in equities and government bonds.

FX Market on slide 12. FX Market fees continued to decline due to the competition with OTC. This 13.3% YoY reduction came on the back of a 16.3% YoY contraction in trading volumes, driven by the spot market. The number of active clients reached 147,000 at the end of the fourth quarter – up almost 2.5 times YoY. The average daily trading volume of corporates was RUB 4.2 bln in 2019, a twofold expansion YoY. We also observed increasing popularity of the EUR-USD pair. Q4 spot volumes there surged 63% YoY and swaps more than doubled.

Slide 13. Income from IT services, listing and other fees saw a substantial increase of 20% YoY. Listing fees surged 133% YoY due to the tariff model update coupled with a large number of registered issues. Sales of software and technical services rose 66.7% YoY with the help of tariff unification and KASE's payments for software delivery. Other fee income continues to decline because of the diminished contribution from the Grain Market.

Slide 14. Derivatives Market. Fee income from derivatives increased 20.7% YoY. Trading volumes of on-exchange contracts went down 17.8% YoY. Open interest expanded by almost 35% YoY. The effective fee increase was driven by the improvement of the product mix towards commodity derivatives, expiration of the marketing period on options, UCP-linked fee revision and IFRS adjustments.

Fixed Income Market. Fee income from the Bond Market improved by 54.6% YoY on the back of a 33.8% YoY increase in trading volumes. We observed an increase both in primary and secondary market activity. A contribution from the government and long-term corporate bond placements supported fee growth.

Equities Market. Fee income from the Equities Market grew 46.7% YoY following a similar increase in trading volumes. Record-high equity index levels supported trading volumes. Volatility almost doubled YoY. Velocity of trading volumes increased by 5pp YoY, contributing to volume growth. MOEX's market share vs the LSE in trading of dual listed stocks improved by 8 pp YoY, up to 72%.

Slide 17. Interest and finance income in Q4 2019. Net interest and finance income rose by 9.3% YoY, mainly due to a realized investment portfolio revaluation. Excluding this effect, the core NII was actually down 3.2% YoY. The effective yield declined by 0.1 pp, reflecting the ongoing monetary easing and the evolution of currency mix in client funds. Average funds available for investment expanded 16.9% YoY.

Operating expenses in Q4 2019, excluding provisions. Operating expenses in Q4 grew by 3.4% YoY. Personnel expenses were up 3.5% on the back of a 4.7% headcount increase, mitigated by a 3.8% bonus provision reduction in Q4 2019. D&A and IT maintenance was up by almost 10% YoY, largely explained by one-off amortization of obsolete software. Beyond that, the D&A line started to moderate. Remaining administrative expenses declined 4.3% YoY due to partial reallocation of rent and office maintenance to D&A under IFRS 16. We also achieved some G&A savings.

And finally, slide 19, CAPEX and OPEX in 2019–2020. The total OPEX growth for the year amounted to 6.8%, which is 1.2 pp lower than the minimum of the guided range. Personnel costs made the largest contribution with a 9.2% gain YoY, mainly due to salary revisions coupled with headcount growth. Our OPEX guidance range for 2020 is 6.5-9.5%, which will help preserve the positive operating jaws between fees and OPEX in 2020. CAPEX for the year came in at RUB 2.2 bln, within the guidance range of RUB 2.0-2.5 bln. We set the same guidance range for CAPEX in 2020.This concludes the first part of our call. We are ready to take questions.

Operator

Thank you. Ladies and gentlemen, we will now begin the Q&A session. The first question comes from the line of Elena Tsareva from BCS Global Markets. Please ask your question.

Elena Tsareva – BCS Global Markets

Good afternoon. Thank you for the presentation and congratulations on the strong fee and commission income. I have several questions; the first question is about what was said at the beginning of the call about upgrading of the risk management. Could you please elaborate a bit what steps exactly were taken in risk policy and risk management, what was changed and improved? Can you update us on the grain provision situation – what is going on? Do you expect any recoveries? What is the status of this situation? This is my first question.

Max Lapin – CFO

Let me tackle in brief the grain provision; and then the risk management. The grain provision declined QoQ by just below 1 p.p. It is kind of a negligible decline, but on the other hand, we have twelve legal cases outstanding. Four out of those twelve legal cases fall under criminal law, and eight other fall under civil law. Seven out of those eight cases are with the grain storage facilities, and we have started to present them in court with the insurance company, claiming the recovery. More cases are underway, so we are working on the recovery, moving in the legal procedures.

As for the risk management per se, we have four regulated entities within MOEX Group. Two of those are regulated entities which are exchanges, i.e. the Moscow Exchange and the commodity exchange, and then we have the clearing house and the depository. Each of those has its risk appetite approaches that we reviewed. Each of those has been reviewed by the Central Bank as a part of the check-up in the 2H 2019 with recommendations on the risk management procedures, which we are implementing. Some of those things fall into the category of further automation of risk management policies and improving the quality of personnel management and hiring new people. Why is that important? The Exchange has to be a very predictable business and reliable for all parties. Therefore, the set of initiatives guided by the CEO fall into the range of what we can do technologically (the Stabilization 2.0 project) and in terms of compliance to make the Exchange a more robust and resilient business.

Elena Tsareva – BCS Global Markets

Thank you very much for the answer. My second question is about OPEX guidance. It feels like the range is a bit wider than in previous years. Can you give us more details on what is hidden in the lower band? What are the negative risks to have an almost 10% growth of OPEX in 2020? What is in between?

Max Lapin – CFO

Thank you for the question on the range itself. In terms of the 3 p.p. difference, it is the same as last year. Both ends of the range are just lower. The reason why it is this percentage is that it reflects the uncertainty over timing of the Marketplace project. As you know, essential legislation is still pending. Speaking of provisions of the guidance, we might narrow the range as the year progresses, just like the last year. A shift in the guidance is highly unlikely.

Elena Tsareva – BCS Global Markets

Understood, thank you. Now just a general question. The first two months of this year were quite volatile and impacted MOEX positively in terms of higher trading volumes. This all is on the back of what is going on in

the global context with COVID-19. Maybe you have discussed it internally – can you provide some views and thoughts on how actually the coronavirus may affect MOEX business? Will the whole volatility be supportive, or something you expect?

Max Lapin – CFO

Great question, but let me tackle it from two angles. First, the volumes in the first two months of 2020 were up almost in every market. The volumes in the Equities and Bond Market are naturally driven. They are not up because of the virus issue. With the Equities Market you have seen a very substantial influx of retail investors and a good growth in the index in the first two months. Therefore, the quality of the volumes within the equities section improved. Speaking of other markets, some of that growth was actually attributed to riding on the back of the good volumes in bond and equities markets and their velocity. But indeed, over the past 4 weeks, we have seen additional volatility in FX and Derivatives Markets where people are obviously hedging their bets in all this virus situation. Therefore, I would split the explanation of the volumes at the beginning of the year between two factors: a natural growth and some increased volatility. Does it tackle your question correctly? Did you get the answer you wanted?

Elena Tsareva – BCS Global Markets

Yes, on one side. But maybe in terms of expectations, do you think what is going on now can be the same in terms of trends and effects if there is more panic?

Max Lapin – CFO

Let us look at the past. Whenever volatility is high in the market, we do get additional volumes. The short-term impact of that is highly beneficial for our revenue. But honestly speaking, the risk appetite of market participants is also limited, so once they exhaust their risk appetite, this might slow down the volumes. Usually such type of volatility is like a shift of revenues between the periods. So we have high volatility now, they might eat into their risk appetite and slow down with the volatility trading a month or two down the road, it is hard to tell. To sum it up, short-term volatility is good. In the mid-term, factors negate one another; high volatility becomes low volatility. But in the longer term, we are actually benefiting from the volatility when the markets are going up. In equities, we had a good market for the past eight months, so the growth in the equities market supported the increased velocity across a range of markets. Every trade at the equities market has, on the back of it, a trade in the currency market, because a large share of trading is generated by international participants, and then there is the hedging of bets with the derivatives markets. So, for us good positive upward volatility on the back of growing market is the best situation. Other types of volatility are also good, but they are just a good scenario.

Anton Terentiev – Director of IR

I would just add that members use the Exchange for Russian assets mostly. Russian companies have largely been unaffected. You can just see in underlying fundamentals. Whether it is an exporter, then you can track the commodity price and all the side effects like ruble weakening, but generally speaking, we are still tracking Russian companies and they are largely unaffected. Secondly, on your question about panic note. We have more retail investors now participating in the market and they provide some kind of a buffer in comparison to recent years. I do not think that the Russian market is an outlier in terms of its performance these days and partially thanks to the support of retail.

Elena Tsareva – BCS Global Markets

Thank you very much. Just a quick follow-up on what you said about retail investors. This is what the trend is, you said it was the main impact on volumes in the first two months of the year. But previously in the last several months of 2019 we also saw a securities volume growth – was it also driven by a healthy retail inflow?

Anton Terentiev – Director of IR

Which period are you referring to, in particular?

Elena Tsareva – BCS Global Markets

Maybe last two or three months of 2019, when there was also securities market volume growth.

Anton Terentiev – Director of IR

In markets where we have retail participation, I think the share of retail was a little bit higher than usually and normally is. In equities, I think it was slightly higher, but it does not mean that it stands there all the way, because on average it tends to stay the same. Indeed, in recent months we have seen somewhat higher activity from retail investors.

Elena Tsareva – BCS Global Markets

If it is just a trend of the last two months, what was the factor of such a strong equities inflow? Interest rates were declining for a prolonged period of time, so why suddenly do we have this shift of retail? Maybe you see this factor as nothing specific right now.

Anton Terentiev – Director of IR

I wish we had the crystal ball, but I do not think that the trend has changed. Still the interest rates are going down, online interfaces of banks and banks cross-selling are still there — it all is written on slide 4. I think these are long-term factors, but when prices go down, of course, people capitalize on that opportunity.

Max Lapin – CFO

In a nutshell, the retail investors in Russia are behaving in a smart way. They are catching the momentum, they are quite opportunistic and less prone to sanction scares and other types of scares. That is why we have been mentioning retail investors as the type of investors that support the market and make its structure more stable. The quality of the order book improves if the retail investors are present.

Elena Tsareva – BCS Global Markets

Thank you very much for answering all of my questions.

Operator

Thank you. The next question comes from the line of Andrey Pavlov-Rusinov. Please ask your question.

Andrey Pavlov-Rusinov – Goldman Sachs

Good afternoon. Congratulations on the results, pretty solid. I have a couple of questions. First of all, on the dynamics of these yields. There were a couple of segments where QoQ dynamics was a little bit different from the usual trend and the usual mix effect, especially in the derivatives and FX markets. Could you please elaborate a little bit more on sustainability of those effects? As I understand, the rise in options tariffs in derivatives probably is to stay with us for long. But what about the FX Market and higher tariff for smaller participants? Do you think this will also carry into this year or is it unlikely? And finally, there were also quite a strong quarter in terms of the listing fees. Do you think this is sustainable? Thank you.

Max Lapin – CFO

Great question. In the FX Market, I think we simply saw an elevated share of clients paying higher fees. The breakdown of spot and swap volumes was nearly identical QoQ, so it did not matter. The measures that we took this year to support the market, such as speed bump, order books, split lots for retailers, RFS and RFQ, would not result in higher effective fees. In a nutshell, we just saw a shift in the client mix in the FX order book. I would not call that sustainable. It looks like a fluctuation. In derivatives, the marketing period for tariffs on options expired in Q4 2019. So, correspondingly, options are now twice as expensive as futures. It is the sustainable part of the impact. Previously the pricing gap was 1.5x, now it is 2x. Moreover, the trading itself has shifted to more expensive at-the-money options from far out-of-the-money options. On the other hand, you would also see that the commodity part of the derivatives market improved while the FX part of the derivatives market somewhat declined. Therefore, this product mix also affected the effective fee. Does that answer your question?

Andrey Pavlov-Rusinov – Goldman Sachs

Yes, thanks. Could you please comment on the listings fees as well, it was also a strong quarter?

Max Lapin – CFO

On the listing. On one hand, YoY, if you compare Q4 2019 vs Q4 2018, we had a listing reform, so it helped. On the other hand, we had an elevated issue registration activity ahead of a change in legislation. It helped somewhat as well. It might be like a scheduling issue, to be a bit more prepaid this year.

Andrey Pavlov-Rusinov – Goldman Sachs

So we might see more muted activity earlier next year I guess, right?

Anton Terentiev – Director of IR

Yes, in listing fees this could be the case, because what is underlying is that the Central Bank is delegating some of its functions down to infrastructural organizations on the financial market. It takes some legislative changes. Time is needed for the adoption to follow. There might be some timing issues; and these listing fees might be a little bit front-loaded.

Andrey Pavlov-Rusinov – Goldman Sachs

Thanks, that is very helpful. My second question is about your regulatory capital requirements. It was great to see the change throughout 2019 on slide 5, but could you elaborate a little bit more on what was driving this change last year? Also, do you have any idea or outlook what the regulatory capital needs will be throughout this year as well?

Max Lapin – CFO

Great question. First, let us talk about it in terms of target capital. We started discussing the target capital in our strategy deck back in October, and we intend to cover it every quarter. The target capital stands now around RUB 81 bln. NCC has a regulatory floor of RUB 66 bln, which is slightly down from the previous region of RUB 68 bln, because the EUR balances in collateral have declined. We will keep monitoring this situation throughout the year. But the EUR balances of collateral will affect it. NSD itself has RUB 9 bln regulatory capital due to higher business volumes; and the trading engine has RUB 6 bln of regulatory capital on the back of OPEX growth. That is what has been happening with MOEX regulatory capital over the past two years: currently, we have submitted to all stress tests. We successfully passed all of the stress tests

by the regulation, and we as a group are sufficiently and adequately capitalized.

Andrey Pavlov-Rusinov – Goldman Sachs

Do I understand you correctly that it is unlikely that the regulatory capital increase will be much higher than what we saw last year?

Max Lapin – CFO

Let us say the changes in regulation are not that visible on the radar screen. The regulatory capital formula is linked to risk position in the market, to operating expenditures, and similar things. So the changes in the capital requirements will be mostly linked to the market factors rather than regulatory changes.

Andrey Pavlov-Rusinov – Goldman Sachs

Thank you. That is very helpful. And my final question is a bit more technical. In your OPEX growth, we have noticed that D&A expenses soared a little bit in Q4 2019. Also, there were quite different dynamics on the depreciation and amortization side, so the former was coming down over the last two quarters and the latter increased. Can you explain what is happening there and what we should expect for this year as well?

Max Lapin – CFO

As for the D&A change, the D&A excluding the amortization of some obsolete software stayed largely flat. There also has been the IFRS 16 impact due to the fact that we are renting some of our office facilities. Therefore, we have to show somewhat higher D&A expenditures, when you compare them Q4 2019 over Q4 2018. In terms of regular business, the changes are not that substantial. As for the G&A expenditures, they have been sitting pretty tight in Q4 2019, maybe not travelling that much, hence some savings.

Andrey Pavlov-Rusinov – Goldman Sachs

Thank you very much. That is very helpful.

Anton Terentiev – Director of IR

All right, I will now read a question from the webcasting interface. We have one question here coming from Li Tan from J.P. Morgan Asset Management. The question reads as follows: can you provide more details about one item called "Other operating expenses" from your P&L that amounted to RUB 2.6 bln? It is quite a big increase YoY. Why is that the case? And what is the outlook for this year?

Li, it is exactly the grain provisions we have been talking about throughout the year. If you decompose the figures, then in Q4 2019 you will see a release of provisions that are related to sugar. We covered that extensively during the previous call. Now the provision has been released.

Now let us take the next question on the phone line.

Operator

Thank you. The next question comes from the line of Andrey Klapko from Gazprombank. Please ask your question.

Andrey Klapko – Gazprombank

Good day, gentlemen. Thank you for the call and congratulations on the great results. Could you please update us on your best estimate towards the Marketplace implementation schedule? What are your expectations right now about the necessary legislative changes? When could this project kick in, according to your estimates?

Max Lapin – CFO

A good question. We are progressing normally on our side. The development team is in place. We are hiring a senior officer responsible for the electronic platform development from the industry itself. At the same time, as for the outlook for legislative changes, I would like to abstain from commenting on that, as I cannot vouch for it. We hope that legislation becomes available sometime this year.

Andrey Klapko – Gazprombank

OK, thank you.

Operator

Thank you. The next question comes from the line of Sergey Garamita from Raiffeisen Bank. Please ask your question.

Sergey Garamita – Raiffeisen Bank

Thank you for the presentation. I have several questions. The first one is linked to OPEX growth. You clarified that the range is somewhat linked to the Marketplace cost. Does this guidance in any way include a higher pass-through grain costs? Or is this guidance given excluding these costs? And also, on Marketplace costs: are they in some way linked to the tariff? I mean if the tariff is not approved, should we expect an increase in marketing, advertising and other costs for the marketplace? That is the first question. The second question is on dividends.

Anton Terentiev – Director of IR

I suggest I first answer this one, because otherwise I will just forget it.

Sergey Garamita – Raiffeisen Bank

OK, sure.

Max Lapin – CFO

On the cost range. The cost range we provide is net of the pass-through cost of the grain itself. The grain market relaunch is only due after the new risk management system for this market and the new business model are approved. So far, it is under review and, therefore you are not seeing grain market volumes in our reporting – they are just not there. The only grain volume we have is serving the federal sales of grain. Therefore, the range itself is a good estimate for the year to come, and it is net of grain. Even if grain appears, it would not be such a drastic change in the range itself. That is the first part on the cost of the grain.

As for the Marketplace project: yes, we did include the uncertainty about the speed of the Marketplace project development into that guidance. The IT development cost of the Marketplace project is mostly shown on slide 19. The fourth bullet point from the top demonstrates that the Marketplace CAPEX is pretty limited. We are CAPEXing the majority of expenditures for Marketplace. So, the uncertainty in the range itself is mostly due to the marketing promo that the project might incur once it goes live – that is the biggest uncertainty. The earlier it goes live, the higher the expenditures will be.

The next question you had started asking before being interrupted was on the dividends. Would you please continue?

Sergey Garamita – Raiffeisen Bank

Yes, sure. You have shown the split of this formula, including the regulatory capital changes, which was RUB 2.3 bln. I just wanted to ask if this trading engine capital, which was added last year in the amount of RUB 5 bln, did it in any way affect this working capital delta in the formula?

Anton Terentiev – Director of IR

To a minimal extent. We will put the presentation soon on the website. The trading engine you are talking about has grown to about RUB 6 bln from RUB 5 bln, and the other component was attributable to an increase in risk tier capital at NSD.

Max Lapin – CFO

Therefore, the box at slide 5 showing RUB 2.3 bln is mostly the additional capital due to NSD's volumes. There has been a larger chunk of assets under custody and an increasing amount of operations within the trading engine. However, that is pretty limited, as you can see.

Sergey Garamita – Raiffeisen Bank

OK, thank you. Just to clarify, do you expect to have something similar to RUB 1.4 bln provision for M&As: do we expect to have something similar in the next year as well, when you consider dividends for this year? What are your plans? As far as I can see, if we exclude regulatory capital changes, M&A and grain provisions, the dividend for 2021 could even increase to above RUB 10. The logical question is whether you could give us some guidance or expectations on regulatory capital changes or maybe provisions – should we see this M&A provision as some sort of a sustainable item carrying on from year to year or not?

Max Lapin – CFO

Thank you for your question, Sergey. We just got the dividends from 2019 profit approved yesterday, and today, you are talking about dividends for next year. That is what I call "long-term thinking". Let me manage the expectations for dividends payable next year, tackling the formula itself. Grand mergers are not on the horizon. We are not expecting to be engaged in a big merger or acquisition. In our case, if we see M&A opportunities, we have to keep some cash in the war chest since we will not be able to borrow when the payment is due, given the regulatory constraints. Therefore, M&As we are targeting are rather small-scale. They are aimed at strengthening capabilities in particular business units, such as OTC capabilities or IT coding and selling of IT services capabilities – as per the strategy. We would rather do targeted niche M&As on selecting teams or buying pieces of platforms or technical solutions that could be fitting our diversified model. Therefore, grand mergers are not there on the horizon, which brings me to the formula.

I would say that the key driver for the dividend YoY will always be the net income growth itself, which then transfers into free cash flow to equity. The free cash flow to equity from net income bridge is relatively simple, it's D&A and CAPEX. Then you have regulatory capital changes – we call it working capital changes. They will always be there because of the growth of the business. When the business is growing, the working capital should also be allocated as per the growth of the business. If the business is stable, then this change is not there. If the business is growing, this change is in there. Thus, our plan in the future, as per the modelling exercise, is to plug some working capital addition, which is roughly proportional to the size of the business, open interests, positions, or the positions of collateral, and volume of operations. It is kind of a variable cost we have.

Sergey Garamita – Raiffeisen Bank

Yes, and just a link to another question. Do we expect some extra capital due to the risk of coronavirus effect – maybe, increased volatility, etc.? At least, do you see that coming? Or is this RUB 2.3 bln regulatory capital change in the formula for the last year probably the maximum we could see, at least for a couple of years?

Max Lapin – CFO

We do not need an extra capital provision for coronavirus. With the coronavirus, what the Exchange needs is a good contingency plan of operations. You have seen all of the news. LSE is talking about that, Deutsche Börse is talking about that. Every exchange has a contingency plan and it is not the capital. We need to maintain operations. And as per capital, we are adequately capitalized. For the coronavirus, I would rather recommend to keep your own capital with you.

Sergey Garamita – Raiffeisen Bank

OK, thank you.

Anton Terentiev – Director of IR

Alright, we have some more questions in the webcasting interface. I will read them before we continue on the phone. They come from Pawel Wieprzowski, WOOD & Co, and read as follows: "Good afternoon. Congratulations on the results…" There are two questions. "First, what do you think about corporate bond placement and IPOs in 2020?" That is question number 1.

So, I would probably start answering it. I am a believer in some economic effects that lower interest rates produce. We actually had a slide on that in the thematic pack on corporate bond placements. And I see no reason why it should not continue. Speaking about corporate bond placements, I think that as rates go down, we at least will have to see elevated refinancing activities. And as for IPOs, that is still an open question. We have been reiterating that message that we have a particular pipeline and we have quite a number of names in the pipeline but nobody has pulled the trigger so far. In current conditions of Coronavirus, nobody will do an IPO, and you know that. But when things settle down and if multiples are still high and rates are low, that might trigger some more activity, but that comes down to issuers.

Max Lapin – CFO

Add-on to the bond story. If you are to see the stats of overall corporate bonds, overall corporate loans and credits outstanding, 28-29% are in the form of bonds. That means that the Exchange itself is servicing almost 30% of the corporate needs of debt facilities, which is good. Therefore, when the corporates themselves expand in the shrinking interest rate environment, that is an opportunity for us. And that is exactly what Slide 3 shows. Given that there is still an easing effect on interest rates this year, this might support additional primary bond placements this year. As for IPOs, I would say the key factor in IPOs are the expectations of the companies going for IPOs to get decent valuations. Therefore, it is a function of a multiple per se. When multiples become a little bit squeezed, the only benefit we observe so far is increased dividend yields of the company, which is beneficial to existing shareholders.

Anton Terentiev – Director of IR

The second question from Pawel is as follows: "Should the ruble rate contract further, would you then consider introducing additional fees as you did for euro balances in early January? Will you consider increasing the fee for euro balances if they contract further?"

Max Lapin – CFO

It is a great question. Let me cover the biggest story about euro balances. With euro balances, let us say in ruble equivalent, we had approximately RUB 400 bln in euro-denominated collateral. That is a lot. It started to comprise a huge chunk of our collateral, making it a nuisance to serve. The existing requirement was that whenever we allocate those euros anywhere, even at negative

percentage rates, we will get a pass-through reimbursement from the market participants. Still, it happened that we became a euro storage vehicle for many Russian professional market participants, which, I would say, sometimes is against the nature of the National Clearing Centre as the major clearing bank.

Therefore, we instituted a discouraging fee of 0.2% on the euros to encourage collateral handling for trading rather than storage of euros with us. That was the general logic with the euro balances.

As you have seen, the euro balances decreased approximately by a third, given the introduction of those fees, but the rest of the amount started to generate additional revenues for us, and we will book them as additional revenues from fees and commissions in the next quarter. In relation to rubles, they are generating and yielding positive interest rates. With euros, we have been in the negative yield territory. That is why we started to think about additional commission on euro clearing balances. With rubles, since the rate is positive, it is highly unlikely that we will contemplate additional charging on that. That would be against the logic that the collateral provided is the basis for trading.

Anton Terentiev – Director of IR

And we have a continuation of that question. Change in interest paid to clients on euro balances: are we not paying interest to clients on euros or planning to do so? And also, what is the impact of lower USD/RUB rates on NII for 2020?

Max Lapin – CFO

Yes, that is a good question on NII impact for 2020. The NII that we book consists of two major parts: as I would call, the core NII (basically, the coupons and interest rate we get on deposits) and the realized portfolio gains. It is the core NII that we show in our slides and that is easy to model. The core NII used to be in a range of RUB 3.5–4 bln historically over the past two years. Obviously, it is declining due to the decline in the interest rate environment. Therefore, the expectation for this year would be RUB 0.5 bln lower than the previous range.

Anton Terentiev – Director of IR

Yes. The current run rate might be like RUB 3.2–3.5 bln. But that is the current run rate. We do not know how the rates progress going forward.

Max Lapin – CFO

On the other hand, if you look at Slide 17, the overall investment portfolio sources are up YoY and therefore arriving to magical triple seven number, RUB 777 bln, in Q4, which is supporting the overall amount of core NII.

Anton Terentiev – Director of IR

OK, we are ready to take the next question over the phone line.

Operator

Thank you, the next question comes from the line of Andrew Keeley, Sberbank. Please ask you question.

Andrew Keeley – Sberbank CIB

Good afternoon. Most of my questions have been answered, just a couple of follow-ups. Maxim, you mentioned that the fee on euro collateral will be booked in F&C income starting from the next quarter. What line would that be going in?

Anton Terentiev – Director of IR

The understanding is that it will be in Other fees and commissions, but we will see. It is definitely going to fall into the fee business, as to which line in particular – I assume it will be other fee income.

Andrew Keeley – Sberbank CIB

OK, thank you.

Max Lapin – CFO

The size of the potential revenue is relatively easy to calculate. Multiply the ruble equivalent of euro balances by 0.2 percentage points, give or take. When you do the math, it is a relatively minor revenue stream. It is good, but relatively minor. It does not deserve to be a separate revenue stream. Therefore, it is highly likely that we will book it into Other fees. We will definitely have some kind of mention or explanation on that.

Andrew Keeley – Sberbank CIB

OK, thank you. And just a follow-up on the Marketplace and costs. I am trying to understand does the extent to which your costs come out towards the bottom end of your range or the top end of the range depend on the pace of developments of your Marketplace ventures in 2020? With regard to the retail Marketplace: is it a case of everything being in place from your side or is it purely a case of waiting for the required legislation to go through now? Is that the right way to think about things? Thank you.

Max Lapin – CFO

Yes, yes and yes. The first "yes" means that the range is largely due to the Marketplace uncertainty in terms of timing. In terms of the composition, it is due to the retail Marketplace, mostly marketing promos and the speed of development of the onboarding of clients. The largest chunk of expenditures for the development is capitalized. Therefore, OPEX is mostly on the customer acquisition and the launch of the platform. That is how the timing is affecting this guidance range.

Andrew Keeley – Sberbank CIB

OK, that makes sense, thank you.

Operator

Thank you. The next question comes from the line of Andrey Mikhailov from SOVA Capital. Please ask your question.

Andrey Mikhailov – SOVA Capital

Andrey Mikhailov: Good evening. Thank you very much for the call. I have several questions. My first set of questions is on the software sale to KASE. Could you please comment whether this is sustainable? Also, could you give us a general status update on the deal with KASE? Thank you very much.

Max Lapin – CFO

With KASE, it is simple. Over several years, we are to arrive to 20% stock ownership with KASE, a minority share. We cannot do more because of the regulatory constraint. Therefore, it stops at 20% ownership. That is one side of the deal. On the other side of the deal, we are developing a platform for KASE on a step-by-step basis. Therefore, once the release is fully established and the system is operational and KASE is satisfied with how the IT platform works for them, we book revenue. Overall size of that deal is about USD 5 mln and it extends over a range of several years. The size of the effect that you see in the slide is one fifth of that. It is roughly proportional; it will be also repeated, but it is a factor of when the next release is available, operational and approved. There might be some fluctuations between the quarters. It might pop up in one quarter or another, but I cannot give you the

exact timing. It depends. Overall, I would say that the deal with KASE spans over several years. On the one hand, it is increased ownership and on the other hand – technological sales.

Anton Terentiev – Director of IR

And also, Andrey, your question resonates with the question we have in our webcasting interface from Samarth from Citi on how much of Q4 revenue gap on software we can attribute to KASE. The entire RUB 100 mln surprise that you see in that line is attributable to KASE. Going forward, as Max said, we will be getting further cushions upon delivery of software, but they will not be recurring every quarter, and the scale will be smaller.

Andrey Mikhailov – SOVA Capital

Thank you very much. My second question is on CAPEX. You report the RUB 2.2 bln CAPEX for 2019, while in this dividend waterfall slide, it is RUB 1.8 bln. Could you please outline the adjustments that you made when accounting for CAPEX in your dividend base calculation?

Max Lapin – CFO

It is mostly IFRS 16, because IFRS 16 is non-cash. What does IFRS 16 do? It is when we have to book it as CAPEX, but it is not CAPEX itself. Therefore, we net the CAPEX out of that and write a smaller number.

Andrey Mikhailov – SOVA Capital

All right, thank you very much.

Max Lapin – CFO

Well, it is cash like cash, if you exclude the IFRS treatment of CAPEX due to IFRS 16.

Andrey Mikhailov – SOVA Capital

OK, I got it, thank you very much.

Operator

The next question comes from the line of Robert Bonte-Friedheim from Millennium. Please ask your question.

Robert Bonte-Friedheim – Millennium

Good afternoon and thank you for taking questions. I have two questions. The first one: can you give us a bit of a sense how we should think about modelling your net interest income? I assume, you have always thought about it as net interest income plus FX gains or losses. Last year, 2019, was relatively flat on 2018. How would you suggest that we model that with higher balances, but lower rates for 2020? What is the range there? What might be the outcome?

Anton Terentiev – Director of IR

Let me take that. First, you have to add the FX effects into the core NII. We have talked about that. The core NII will consist of interest income, interest expense and the effect from FX swaps, which fall into the FX line. If you take the three together, you will get the core NII. On this core NII, as we have just said, the current quarterly run rate would be RUB 3.2–3.5 bln. But going forward, we do not know what the rates might be, and it will be adjusted by the rate evolution. And then, the cushions coming from the portfolio revaluation. On the previous call, I mentioned that whenever we have this easing environment, we usually have some revaluation gain. We already have accumulated gains on our balance sheet, accumulated revaluation gains in the comprehensive income. We might be realizing it to some extent going forward, too. This is all I can say on the NII at the moment.

Robert Bonte-Friedheim – Millennium

OK. My second question: looking at the trajectory of your fee income as a percent of operating income, if we go back to 2015, it was 39%, then 45% the next year, 55% in 2017, 60% in 2018, and 61% in 2019. This year, in conservative modelling, I get it at close to 69%, or the high 60s, certainly. Is it reasonable to expect that your fee as a percentage of total income will get close to 70% this year?

Max Lapin – CFO

For Q4 2019, it was already a 64/36 split. Our strategic target is to get a 70/30 split. But this year, the interest rate environment is going down a little quicker. Therefore, it would naturally shift us to more predictable business and a 70/30 mix. As for your modelling take at 69%, it depends on the rates. But given the range of scenarios I have seen, anything between 65/35 and maybe the range you mentioned, 69/31 is viable this year. The key unpredictability falls into two categories: the future of the rates or the potential easing by the Fed and the Russian CBR, given the overall situation in the economy nowadays. On the other hand, the ratio of core NII to fee and commission would be really close to that strategic target. But given that we are realizing some gains on the portfolio revaluation – when the interest rate environment is going down, the portfolio revaluation is going up – we might accept it a little bit. However, a core NII to fees and commission would be close to the range that you see.

Robert Bonte-Friedheim – Millennium

OK, thank you. Now on the fees as a percent of overall volumes. There are two lines that I am interested in there. One is equity fees. It would seem from what you are saying that a lot of accounts have opened, a lot of small tickets. Does that mean that there is a mix shift to a little bit higher fees, a little upwards mix shift this year and maybe throughout this year? And the second line that I have the same question on is derivatives, where we saw, again, very high volumes in January and February. In the derivatives, should we model flat fees, a little bit up fees, or a little bit down fees based on the volume growth?

Max Lapin – CFO

This is a good question. The sensitivity of equity fees to the volatility is not that profound. There was no tariff reform in equities pricing. Therefore, its effective fee is relatively stable. Given the large influx of retail investors, we are still working with the market participants driven by volume. They might have some volume discounts, but those are not huge. Therefore, I would not expect, any substantial change in effective commissions.

As for the derivatives, the latest change in the derivative pricing happened with the Unified Collateral Pool 14-15 months ago, with the UCP project completion and the tariff repricing, but that already is in the pricing. Therefore, derivatives are not changing. With derivatives, the change in the mix of the derivatives themselves is more important. The appreciation that we see, the derivative average yields, the average bulk yield used to be 0.26 basis points in Q4 2018. Now, it appreciates to 0.38, above-average ratio. This is predominantly due to a higher share of commodity derivatives on the one hand and the diminished share of FX derivatives on the one hand and the fact that we have removed the marketing discount we had in options, on the other hand. Apart from the mix effect and discontinuation of the marketing discounts in options, there are no other changes in the effective pricing itself.

Anton Terentiev – Director of IR

Robert, your assumption would imply a sustainable shift in the market share in favor of retail, because this is how it is structured

and this is how the effective fees go up. But our Equity Market colleagues are saying that the market works in the following way: whatever ruble amounts the local investors are putting into an order book are mirrored by the ruble amounts from HFTs and then global investors. That is how it works: more rubles from retail are just generating more rubles from the other side. In the long run – for example, on a twelve month horizon – the share has to be roughly the same. Hence, we cannot commit to a trend in the effective fees based on higher volumes in retail.

Robert Bonte-Friedheim – Millennium Capital Management

Thank you. My last question is, when I saw you at the end of the last year and we talked about this year, it felt to me like the focus was on a fee CAGR of 10%. Reading between the lines, it felt like this would be a tough year in terms of fee growth, maybe below your average CAGR. But after these first two months, which were very strong, it sounds like the results for Q1 2020 will be way ahead of 10%, actually closer to 20%. But even full-year results, all of a sudden, now can exceed the CAGR, even assuming a normalization of volumes. Do you expect to revisit your guidance based on the volumes you are seeing? How would you suggest we should think about the year and the momentum going forward?

Max Lapin – CFO

When we were outlining the strategy back in October, we mentioned that our five-year average expectation looking forward would be about a CAGR of 10%. The growth might be distributed unevenly between the years. There might be good years and not so good ones. Indeed, the start of this year has been extremely robust. But we are not managing or establishing a strict guidance for the year, which could be 10%. That is derived from our five-year goal.

This year, we had a good start in terms of volatility and velocity in the key markets, but I have already mentioned that increased volatility might change to reduced volatility in the months to come. So far, it is too early to tell. Let us wait until our semi-annual report is released in August. Then, we will be able to talk about expectations. But usually, there are good parts of the year and worse ones.

Anton Terentiev – Director of IR

You are positively surprised by the volumes at the beginning of the year, and so are we. I cannot say that we were foreseeing this in any way.

Robert Bonte-Friedheim – Millennium Capital Management

Fantastic. Thank you for taking the question. I look forward to what is going to be a very positive Q1 2020 conference call.

Anton Terentiev – Director of IR

Thank you, Robert. Now, I shall read out loud a couple of questions from our webcasting interface about the electronic FX platform that we have acquired.

The first part of a question is about how we are going to integrate it into the MOEX infrastructure. What are the potential synergies? And the continuation is from Citi's Samarth Agrawal: can we elaborate more on this partnership? What is the rationale? Any further color on how and when this partnership will generate synergies? How much of the RUB 1.4 bln M&A outlay this year is related to this acquisition?

Max Lapin – CFO

Good question. Let me handle it step by step. The FX platform: as per our strategy, we are going beyond the exchange. Going beyond the

exchange means that we would like to play a part in the OTC market. We developed the OTC derivatives and bonds largely by ourselves. As for the OTC products, it proved to be easier to take a forward step into that market by buying first a minority stake or completing such a transaction first and then, given the already agreed conditions, arriving at 100% ownership later.

The logic behind this deal is that the OTC market is competing with the on-exchange market. They are competing in different parts of the cycle differently. When volatility is low, OTC wins, because in this case, the OTC market usually charges the matching fee, but the clearing fee is absent from the OTC. Transactions are executed at the risk of the market participants, or those engaging in the transaction. The on-exchange market benefits during high-volatility times. This is why you have seen a strong pick-up in FX volumes in the first two months. The FX Market is doing better.

For us, therefore, the rationale behind the deal is not about cannibalizing one line of business at the expense of another. Not at all. These two are countercyclical parts of the model. Low volatility, we have better OTC. High volatility, better on-exchange. Therefore, for us it's an expansion of business. The best comparison would be that if you have a retail chain that has not been building any new stores within the developed region but is expanding into a new region, a completely new market. The FX platform will be an additional non-competing interface. It is an expansion.

As regards the M&A outlay, a large chunk of this is due to the deal, but we are not disclosing the amount or the pricing of the deal itself. The deal will be structured in stages. First, we will obtain a minority stake and then move on further. We booked a little bit more than a minority stake in the beginning, but I am not yet so far disclosing the number.

Anton Terentiev – Director of IR

This also takes us back to Pawel Wieprzowski's follow-up question on whether we are going to comment on the final price. This is one of the small-scale acquisitions that we are considering. As for the final price and all the pricing, unfortunately, we are bound by the terms of the agreement and cannot disclose this. But it is not big for us.

We are ready to continue on the phone line.

Operator

Thank you. The next question comes from the line of Sergey Garamita, Raiffeisen Bank. Please ask your question.

Sergey Garamita – Raiffeisen Bank

Just a follow-up on this M&A question. Does this RUB 1.4 bln provision comprise the KASE and NTPro deals? Or does it not include the former because it is a non-cash transaction?

Max Lapin – CFO

It does. This is a good question. This M&A outlay is our best estimate at this point of the year of the likely M&A payments going forward. It is like a war chest, as I have mentioned, for potential M&A payments.

I would like to explain again the logic for why we need this war chest. From a regulatory perspective, we are limited in taking on debt to finance acquisitions. It will hurt our regulatory capital ratios if we pay for the acquisitions using debt. Therefore, we have to have a war chest in advance to prefund the potential acquisition payments. The size of this war chest is the best estimate that we have of our deal pipeline.

Sergey Garamita – Raiffeisen Bank

Do I understand correctly that the KASE deal is non-cash, as it is about providing services, with some of this money probably booked in OPEX? It should not be included in CAPEX in your cash flow statement, should it?

Max Lapin – CFO

The KASE deal is comprised of two separate legal constructs. One is the acquisition of shares and the other is the sale of technological services. Therefore, the acquisition of shares is in there, in this war chest. The KASE deal is there because the acquisition of shares is settled in cash.

Sergey Garamita – Raiffeisen Bank

OK, understood. And this RUB 2.0-2.5 bln guidance on CAPEX – does it include some extra CAPEX like we see in your cash flow statement that you excluded from your dividend formula due to using IFRS 16? Or is it the increase from RUB 1.8 bln to RUB 2.5 bln? Or is it just diluted by these one-offs related to reporting standards and such? As I understand, this RUB 0.5 bln range is not related to M&As. I mean, this gap between RUB 2 bln and RUB 2.5 bln does not include M&As, does it?

Max Lapin – CFO

It does not. The gap is not due to M&A uncertainty – it is due to CAPEX uncertainty. And the CAPEX itself is the reported CAPEX.

Sergey Garamita – Raiffeisen Bank

OK, thank you.

Operator

Thank you.

There are no further questions at this time. Please continue.

Anton Terentiev – Director of IR

Thank you very much everybody for asking a lot of detailed and insightful questions and hope to reconnect with all of you on our Q1 2020 release.

Max Lapin – CFO

I would like to thank everyone for asking the record amount of questions today, and we have had the record length of a call. I would like to recall all the people who asked questions. Thank you, Elena, Andrey, Li, Rob, Sergey, another Andrey, Andrew, another Sergey and Pawel. Thank you for your questions and looking forward to the Q1 2020 call two months down the road. See you.