MOSCOW EXCHANGE

Q4 and FY 2020 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
- Andrew Keeley, Sber CIB
- Shamil Mindubaev
- Pawel Wieprzowski, WOOD & Co.
- Andrzej Nowaczek, HSBC
- Sergey Garamita, Raiffeisen Centrobank
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Anton Terentiev – Director of IR

Good afternoon, everyone, and welcome to Moscow Exchange's FY and 4Q 2020 IFRS Results Conference Call.

As usual, after the 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 FY and 4Q 2020. 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, Anton. Good afternoon, ladies and gentlemen. I would like to start with a brief overview of our key achievements in the year 2020.

Fee and commission income increased by 31% YoY and hit a record level. This is the highest annual growth rate in our history as a public company. Remarkably, such an extraordinary result concludes a highly unusual year. The pandemic tested the efficiency and robustness of our trading, clearing and settlement systems, our team as well as our very business model.

Despite the acute volatility of spring 2020 and the rapid transition to remote operations, Moscow Exchange maintained complete continuity of trading, clearing and safekeeping. The company proved to be totally resilient in the face of adversity.

For most of the year, we were running at 10% in-office personnel. Importantly, we never use these circumstances as an excuse. Instead, we stuck to the strategy and focused on delivery on our key initiatives.

The year brought two unique developments. First, the combination of low interest rates and remote work attracted millions of new retail investors to the financial markets in Russia and globally. And second, the trend of digitalization accelerated rapidly. We took full advantage of both of them.

We launched a large number of products and services tailored for retail clients, including the evening trading session on the equity markets, trading in foreign stocks, a wave of secondary listings and a few long-awaited IPOs, substantial expansion of the range of ETFs and an assortment of split-lot Eurobonds.

We continued to digitalize key internal processes and brought a series of upgrades to our office. But the real icing on the digitalization cake was the launch of the pivotal Marketplace project, Finuslugi. It exemplifies both of the big trends we have just discussed.

The third important macro development was the continued rise of the sustainability agenda. And again, we delivered strong results, issuing the Exchange’s inaugural sustainability report and stepping up on ESG integration and disclosure. We adopted seven UN Sustainable Development Goals and embedded aspects of sustainability into our strategy. This year, we plan to publish a guide on ESG best practices and disclosure for listed companies.

These achievements were delivered in a cost-efficient manner. Our cash cost to fee income ratio fell below 40% as OPEX growth remained contained at 8.5% YoY. This again shows our goal to maintain positive operating jaws between fees and costs.

I am also proud that our established dividend story continues. The Supervisory Board recommended distributing 85% of 2020 net income as dividends. If shareholders approve the Board's proposal, DPS will increase by nearly 20% YoY. My focus as the CEO will remain on making MOEX an even stronger and more sustainable company. I will now hand the call over to Max Lapin, our CFO, to go through the presentation. Max, please go ahead.

Max Lapin – CFO

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

Let's start with Slide 2. Delivery on strategic initiatives in the 4Q 2020 and beyond. First, the Exchange continues to add new products. Ozon began trading on MOEX following the company's successful dual IPO. O'Key became the 7th company operating in Russia yet originally listed on a foreign exchange to make a dual listing on MOEX this year.

Eight new ETFs began trading on MOEX since November 2020, including ones that track global benchmarks. 57 ETFs are now available on MOEX with a total net asset value of approximately 160 bln rubles.

We continue to add foreign equities to the securities market. Earlier this week, 32 equities were added to the range of international stocks available on Moscow Exchange. This brought the total number of foreign equities on MOEX to 87. The plan is to have over 250 foreign names by the end of this year.

3 new products were introduced on the Derivatives Market: so-called futures-style options on natural gas and on Yandex shares as well as a deliverable futures contract on wheat.

Second, we continue to work on new services. A morning session commenced on FX and Derivatives Markets, aligning trading with time zones in Asia and Russia's Far East. On the first trading day, the share of the morning session's volumes amounted to 5.5% of the Derivatives Market and 2% of the FX Market. Our financial marketplace, Finuslugi, now offers OSAGO – compulsory car insurance certificates – from 16 insurance companies.

MOEX Treasury, a unified market access web-platform for corporate clients, was introduced. A corporate client can conveniently access Money, Derivatives and FX markets through this single platform. As of today, 32 firms have become MOEX Treasury users.

The Equities Market and the Bond Market now feature price deviation limits for market orders to prevent fat-finger type errors and protect investors, primarily retail. MOEX introduced FIFO MFIX protocol on the Securities and FX Markets. The new interface facilitates processing of orders at the exchange gateway on a first-in, first-out basis with a more than 99% probability. This service enables HFT and algorithmic funds to take full advantage of their technological capabilities.

The CCP can now clear OTC FX deals, minimizing credit and operational risks. This is a prerequisite for further development of OTC clearing and settlement services.

Third, we continue to develop our client base and partnerships. As of the end of February, the number of unique retail clients exceeded 10 mln. This means that more than one million new clients have joined since the beginning of this year, 2021. The total number of Individual Investment Accounts has passed the 3.7 mln mark. The number of corporate issuers on the Bond Market continues to grow. In the fourth quarter, 84 corporates – including 20 newcomers – placed 239 bond issues, raising a total of RUB 2.2 trn. Transit 2.0, a platform for exchange of financial messages and electronic documents, continues to gain traction. Eleven banks and 22 corporates are using it. More than 570,000 documents were transferred via the platform as of the end of 2020.

MOEX brought its stake in OTC FX platform NTPro to 25%, in line with a 3-year plan to consolidate 100% ownership. MOEX also acquired another 9.8% stake in KASE, Kazakhstan Stock Exchange. Total ownership of KASE by MOEX now stands at 13.1% compared to the limit of 20% stipulated by Kazakh Law. Let us now move on to thematic slides.

Slide 3, on local retail investors and the ongoing growth. Retail client funds almost doubled YoY in 2020, reaching 6 trillion rubles by year-end, as per figures provided by NAUFOR – the association of financial market's participants. This closely mirrors the increase in the number of retail clients on MOEX, which amounted to 8.8 mln at year-end compared to 3.9 mln at the start of the year. The law of diminishing returns is at play here, albeit in a very mild form.

The average structure of a Russian retail client's brokerage account is still quite conservative with bonds accounting for 46%. However, we are observing a 9 p.p. expansion of the share of foreign equities versus 2019. MOEX launched and continues to expand the range of foreign equities to meet this growing demand. Retail banking deposits were nominally up in 2020 despite a massive inflow into brokerage accounts, managed accounts and IIAs. The securities to deposits ratio is on the rise, yet it's still quite far from peers like China. Therefore, the potential for conversion from deposits into securities remains very high.

Next slide, Slide 4, on the revised equity capital market activity in 2020. This was indeed a very fruitful year in terms of equity capital markets activity. We saw 10 new names join the market either through IPOs or via secondary listings. Taking SPOs into account, the ECM activity in 2020 brought us approximately 4% of additional free float or 724 bln rubles in absolute terms. As a result of the new issuance, the MOEX Index became more diversified. As you can see on the chart on the left-hand side, Oil & Gas companies' share in the MOEX index declined from 51% to 38% in a mere 2 years. At the same time, the Telecom, Media and Technology sector gained 8 pp, fulfilling the pervasive demand for technological names.

Slide 5, on to the summary of financial for the 4Q 2020. Operating income improved by 19% YoY. F&C expanded 41% YoY, overriding a 22% YoY decrease in NII. The share of F&C income surpassed 75% and reached the record-high of 76% on a quarterly basis. Operating expenses amounted to 4.7 bln rubles, increasing by 16% YoY. The recurring cost-to-income ratio remained under control and decreased by 0.7 pp YoY or 1.8 pp QoQ. OPEX growth was mainly caused by a 34% YoY increase in personnel expenses. Adjusted EBITDA expanded 17% YoY for a margin of 71.1%. Overall, adjusted net income added 15.7% YoY, coming in at 6.6 bln rubles.

And on the fees and commissions, the sustainable and strong growth on Slide 6. Let's see the annual dynamics. This slide shows the robustness of our business model. Full year 2020 fee growth clearly demonstrates the counter-cyclicality that we've been talking about for quite some time now. Once again, it came in a cost-efficient way, as the proxy for cash cost to fee income ratio declined below 40%. The growth gap between fees and OPEX – also known as operating jaws – continues to be in the positive territory.

Next page on diversified fees and commission income. The F&C income surge of 41% YoY was driven by double-digit growth across every business line. The top-3 leading contributors in absolute terms were the Money Market, Depository & Settlement services and the Equities Market. All three lines hit their absolute record highs in the fourth quarter. The Equities Market's growth of 67% allowed it to become the third-largest business line, that's a huge leap from the fourth quarter 2019. Overall, we delivered an all-time high F&C income for the fifth quarter in a row.

Turning now to Money Market on the Page 8. Fee income from the Money Market gained 46% YoY, while trading volumes increased 23%. The effective fee dynamics is explained by 2 factors. First, it's the expansion of the overall repo terms supported by GCC-repos with the Federal Treasury. Second, it's the increase of the value-added CCP-based repo, both single-security and GCC, in the total repo volumes to the level of 90% in 2020. We further strengthened our partnership with the Federal Treasury and introduced new instruments. Federal Treasury deposits substantially contributed to the general growth of the average term and open interest.

Let's look on the recent trends in the Money Market on Page 9. The average on-exchange repo term increased by 27% YoY. GCC-repo average term improved by 29% to reach 6 days. As a result, the aggregate position remained elevated during the fourth quarter. GCC repo is continuing to gain ground in the overall repo volumes mix, reaching a 20% share.

Depository & Settlement on Slide 10. Fees and commissions from Depository and Settlement improved by 42% YoY. The main factor behind this growth was the 16% expansion of average assets on deposit at the NSD. The growth occurred across all asset classes, but it was most pronounced in government bonds. The gap between growth rates of fee income and assets on deposit is the result of business lines beyond safekeeping. Clearing and collateral management services showed outstanding fee growth in 4Q'20 amid higher demand for repo operations at the NSD.

Page 11, the Equities Market. Fee income from the Equities Market grew 67% YoY, following a nearly equivalent increase in trading volumes of 74%. The minor discrepancy between fees and volume dynamics was due to the tariff structure that provides incentives for higher volume traded. It is the same effect we saw over the last three quarters. Basically, a few clients generated sufficient volume to get into lower tariff brackets. Both fees and volumes were supported by the average MOEX Index level that posted a historic high for the second quarter in a row, surpassing 3000 points. Velocity of trading volumes reached the first quarter's level of 56% thanks to the help from retail investors.

MOEX's market share vs the LSE in trading of dual listed stocks reached an all-time high of 79% for the full year 2020. 19 ETFs were added to the evening trading session with more to come later in the year. The evening trading session now amounts to a solid 9% of ADTV on the Equities Market.

Turning now to FX Market. Next slide. F&C improved by 33% YoY. Spot trading volumes added 83% YoY, while swap volumes increased by 10% YoY. The higher share of spot trading remains the primary explanation of effective fee dynamics. USD/RUB pair spot trading volumes doubled YoY and remained the main contributor to spot market dynamics among FX pairs. The number of active clients approached 730,000 at the end of the year – up nearly 5-fold YoY. The share of retail volumes in the spot market amounted to 13%, up 5 p.p. YoY. Corporates' ADTV gained nearly 50% YoY. MOEX's 4Q'20 market share vs onshore OTC increased 3 pp YoY to reach 46% as the demand for CCP services remains strong. Volumes in the large trades' mode, a.k.a. the speed bump, reached RUB 2 trn in 2020.

Derivatives Market, Slide 13. Fee income from the Derivatives Market expanded by nearly 41% YoY. Trading volumes of on-exchange contracts were up 83% YoY. FX futures were by far the main volume driver, almost tripling YoY. The discrepancy between volumes and fees is due to a couple of reasons. First, the volume mix shifted in favor of less profitable FX and index derivatives, which together amounted to 80% of the volume mix versus 63% in 4Q'19. And second, a lower share of options' trading – 3.7% in 4Q'20 vs 6.3% a year earlier.

Page 14, ITSLOFI. The line exhibited a strong performance with fee income rising by 29% YoY. Listing fees organically improved 13% YoY. Information services fees increased by 27% YoY, mainly due to the ruble weakening and a 10% growth in the client base. Sales of software and technical services were down 5.7% YoY amid a high base containing software delivery proceeds from KASE, a year before. As in the three previous quarters, other fee and commission income was largely driven by additional fees for recording individual clearing collateral on euro and Swiss franc client balances. These fees were introduced at the beginning of year 2020.

Fixed Income Market, Slide 15. Fee income from the Bond Market added 30% YoY, whereas trading volumes increased by 16% YoY. Primary market placements (excluding overnight bonds) improved by 47% YoY. Overall, we saw an absolute record of primary market volumes on the bond market. Volumes of corporate bond placements expanded almost twofold YoY, bringing corporates' share in the primary market to 46% in the fourth quarter. The discrepancy between fees and volumes is the result of 2 factors. First, a higher fraction of corporate placements and OFZs. Second, a lower share of short-term OBRs in the primary market.

Interest and finance income, Slide 16. Net interest and finance income decreased by 22% YoY. Excluding the effect of portfolio revaluation, Core NII was down 13% YoY. The negative effect from declining interest rates offset the strong growth of USD and RUB client balances. The latter is associated with the overall volumes growth since they generally correspond to the amount of settlement. Investment portfolio's value increased by 19% YoY. Consequently, the effective yield narrowed by 0.8 pp. The client funds' currency mix changed in favor of USDs due to the additional fee on EUR balances. As for the composition of the investment portfolio, FX deposits and current accounts remain its largest constituents, whereas the smaller shares of RUB deposits and securities still remain major income generators.

Operating expenses, excluding provisions. Operating expenses in 4Q'20 increased by 16% YoY. This brought the full year 2020 OPEX growth to 8.5% YoY, landing exactly on the upper end of our FY guidance range of 7.5-8.5%. Personnel expenses added 34% YoY and were the primary driver of OPEX dynamics. This personnel expenses growth decomposes into 4 main components: 10.4 pp general headcount growth; 8.8 pp extra bonus accruals stemming from outperformance against KPIs, we had a very strong 2020 so we provisioned a little bit more for the bonus, which led to this 8.8pp growth; 7.4 pp net effect from the new LTIP program that came into effect July 2020, and the remaining 7.2 pp are other factors, which include general wage increases. Therefore, half of OPEX growth is explained by the extra bonus provision triggered by the strong financial performance and the new LTIP effect that kicked in from July 2020 onwards. The overall headcount growth is explained by the Marketplace project related hires and some movements from outsourcing some staff to in-house.

Total D&A costs shrank by 6.5% YoY, which is largely explained by an 8.3% decrease in amortization of intangible assets. Together with equipment and intangibles' maintenance, the line added 3.5%. Remaining admin expenses were actually flat, adding only 1.3% YoY. CAPEX for the quarter amounted to RUB 1 bln, pushing the full year CAPEX figure to RUB 3.24 bln as we front-loaded some of the software expenses to capture price savings. I mentioned that during the previous earning calls that we are likely to speed up some software licenses acquisition at a cheaper price in 2020 to bypass increases in price starting 2021 due to VAT taxation changes.

Slide 18 on CapEx and OpEx. In 2020 the split between maintenance and development CAPEX was 60% maintenance / 40% development. The higher share of maintenance is largely explained by the mass transition to remote work. The top 5 projects accounted for 24% of CAPEX, with the Marketplace consuming RUB 0.5 bln. Our 2021 CAPEX guidance range is RUB 3.0 – 4.0 bln with the discrepancy depending on M&A opportunities.

Our 2021 OPEX growth guidance consists of three parts. First, the business as usual range of 5%-6% YoY. Second, a family of development projects, including long-term risk management initiatives, regulatory framework, compliance-related improvements as well as the Marketplace, will cost another 6%-8% YoY. Third, we have the RUB 1bln option, a warchest, for the Marketplace discretionary marketing spend, which we communicated before, on the January 29. Overall, the FY2021 OPEX guidance range is 11%-14% plus the Marketplace marketing option that has the potential to add from 0% to 6% to the total.

Slide 19 on the dividend story. Let me briefly discuss dividends. Today at 9:45am we announced a DPS of 9.45 rubles. We are applying a formula-based approach set forth in the current dividend policy, which was updated in late-2019. On the right-hand side, you can see the bridge from the reported financials to the resulting dividend recommendation. A slight mismatch between the reported CAPEX on the previous page and the one on this chart relates to the differences in VAT accounting. Adjustments are M&A outlay and the change in the Group’s regulatory capital. The resulting DPS is RUB 9.45, which is a 19% improvement YoY. The payout ratio is 85%.

This concludes my overview of yet another solid quarter and an extremely favorable year for Moscow Exchange. We are now ready to take questions.

Operator

Thank you. Ladies and gentlemen, we’ll now begin the Q&A session.

The first question comes from the line of Elena Tsareva from BCS GM. Please ask your question.

Elena Tsareva – BCS GM

Good afternoon. Thank you very much for the call and congratulations with strong results, strong dividend.

My first question is more about future expectations for this year and the next. MOEX had a record year for the F&C and trading volumes growth and trading volumes in total. So, it's a bit difficult to see what kind of growth rate you can see for F&C. Does it mean that you expect more moderate trading volumes growth going forward? And in terms of F&C share of your operating income, do you feel it may go higher from the current 76% level or stabilize somewhere here?

And also, in the same question about this trading volume dynamics. 2-months update showed very strong decline of Fixed Income market volumes. Is it a concern that there are going to be very weak volumes in FI Market going forward? Or is it just a temporary one-off of the two first months of the year? This will be my first question.

Max Lapin – CFO

Elena, thank you very much. Let's talk about the general volumes. Last year, the high base started in March. So, if you would compare this year numbers to January and February last year, because the volumes are out already, you would see that the trend continues. The volumes are showing improvement YoY.

Then the second question comes. What about March? I will not provide like forward-looking expectation for March. But I would say that February this year is very much alike or by some measures better than March last year. So, we do not see we're slumping versus the high base of the last year. Therefore, we are looking positively for the year results.

Judging by the volumes that we had in the first 2 months, we are very likely to have good performance on the F&C lines, even though we will continue to outperform slightly the high base of the last year. Therefore, probably, we will be able to replicate our history with a trend of growth, with the high base that we had in last year. But definitely, we do not have any worries anymore that we will have a slump against the high base of last year. The story continues to be positive.

Longer term, our trend. We want to keep trend of, give or take, 10-ish percent in F&C top line. And it might be that there is a probability to replicate this trend even with the base of last year, let's see. Once the March volumes are out and April volumes are out, we will be able to compare the new normal versus the peak of the last year. And if it's in the positive territory, then definitely, we are going to have a good year.

Speaking of the Fixed Income volumes, we had an amazingly hot 4Q last year. And you would see that from the slide on the fixed income, this high base. A lot of placements happened in the fourth quarter due to the environment of low interest rates. And now the market participants are concerned with the probability of hikes in interest rates so the Fixed Income Market is cautious. Once the probability for the monetary policy will shift into, let's say, defined monetary policy, I think, there would be, as usual, the comeback on the Fixed Income Market.

As a general trend, I would explain the Fixed Income Market logic as following: when there is an expectation of the rate cuts, the next quarter, we have an expansion of the market. Same is true vice versa, when there is expectation of the rate hike, then next quarter, we have some slowdown in that activity. But longer term, our trend is to have a 30% share in the credit and loan portfolio in form of bonds in corporate balance sheet. And I think that will stand true for time to come. Thank you, Elena.

Elena Tsareva – BCS GM

Thank you very much. My second question is about your OpEx guidance. It's quite a surprise for me now that I follow the story for many years to see such a higher range of OpEx growth. And I appreciate you broke down this estimate by several details. But could you please elaborate about this family of development projects? When you decided to have such a heavy cost this year, is there any regulatory change or what kind of reasons? I understand this project is more about your improvements in compliance and risk management as I heard it, or maybe you have more business-oriented projects? I understand the Marketplace is partially there.

And also, just a small question. What kind of M&As you may target this year? And of what kind of size they might be?

Max Lapin – CFO

Thank you. As for the OpEx guidance, the most general explanation would be that we had a windfall year, therefore, we decided to invest a little bit more in our systems.

A more detailed answer would be that in the development projects we have a list of the risk management and compliance projects that were developed and proposed by the new heads of compliance and risk management that we hired last year. Therefore, we are upgrading our risk management system and compliance system. The pressure on compliance is not limited to the exchanges worldwide. Therefore, we are adding compliance people. We are adding risk management team. We are adding people in IT.

And also, there is a lagging effect of what happened in 2020. In 2020, we observed an opportunity to hire talent from the market and hire talent in good numbers. Therefore, we brought people from being outsourced in IT to in-house and added people onto the Marketplace project. Therefore, we have a lagging effect of those decisions that were taken through the second half of 2020.

During the 2020, I've been notifying that despite cost economies in the first half of the year, also generated by the pandemic, that we will still hit the guidance by the end of the year and we did through the expansion of cost in the fourth quarter.

Longer term, I would still stick to the notion that we are aiming at positive operating jaws between fees and commissions and the OpEx. Therefore, I would say, yes, this guidance is higher than it was before. But it can be solitarily explained that the compliance and risk management system and Marketplace project will be spending the money. But I would see this expenditure as a front-loading, of course, and some lagging effect of the strong year that we had. I hope this answers your question. Can I switch to the M&A part?

Elena Tsareva – BCS GM

Yes, sure, thank you.

Max Lapin – CFO

As for the M&As, we have several niche targets for acquisition, similar to what we had with the NTPro FX platform. Those targets are, give or take, comparable in business. But they are niche and limited to a given business line. So, this provision of RUB 2 bln is a kind of an upper bound that we are planning to spend on M&A this year, so let's see how the story evolves.

With the other bucket in the dividend on the changes in regulatory capital, I would say some analysts in their forecast predicted that there would be some change in the working capital because the volumes grew with the exchange and the open market interest and the balances grew, therefore, we have to add a little bit capital to the regulated entity that we have. Thank you.

Elena Tsareva – BCS GM

If I may, just a quick follow-up on OpEx growth. So, 2021, it's a wide range, 11-14%. But after the 2021, you expect not only positive jaws, but maybe dynamics of OpEx to be closer to your previous years as well?

Max Lapin – CFO

Yes. We think of that as of some kind of a lockstep movement of costs following the movements in revenues, albeit in a milder form. So, we had an upward shift in revenues in 2020. And we have a follow-up in cost, albeit to a very milder extent in the year to come. But the overall trend will remain the same. So, for the years to come, we intend to keep the dynamics that has been before. So, that’s my vision for 2021 story.

Elena Tsareva – BCS GM

Thank you very much for the detailed answers.

Max Lapin – CFO

Thank you.

Operator

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

Andrey Pavlov-Rusinov – GS

Good afternoon. Thanks for the presentation. And also, congratulations with strong results.

I've got a couple of questions. First is a bit of a follow-up on your OpEx guidance. Essentially, it's clear with respect to the first two components. But with regard to the Marketplace marketing option, could you please elaborate whether there are any milestones which would essentially let you decide on whether to unload this option and war chest or not? How will your thinking develop through the year on whether to use it or not?

And my second question is with regards to your equity volumes and I would say overall domestic on-exchange equity volumes in Russia. We have seen that for the last couple of months, your market share versus Saint Petersburg Exchange is coming down. And hence, there's a bit of movement of retail interest towards their venue and foreign stocks.

So how do you think about this development? And in terms of beefing up of your foreign equities offering, do you think there will be some inflection point throughout this year where your market share will start growing again and whether you would regain your stronger position with on-exchange local equity trading? Thank you.

Max Lapin – CFO

Andrey, let me start with the Marketplace option. We decided and I would still stick to that communication I made a little bit more than a month earlier that we will decide on a quarterly basis. So, by the end of this quarter, we will decide whether to use that proportionally for the year. And on quarterly decision, I mean, the Executive Board is reviewing the marketing spend on a quarterly basis.

Therefore, on the next earnings call, that is very likely to happen at the last day of April, I will discuss to what extent we used the Marketplace option in the first quarter. And probably, we will speak about the overall amount of the option for the remaining part of the year. So, I will update that number on a quarterly basis.

The equity story and domestic competition, I would split it into two types of analysis. And after that, I will pass the word to Anton. There are foreign stocks traded in Russia and there are domestic stocks traded in Russia. For domestic stocks, we are and we will be the center of liquidity, the price discovery, good ADTV and good access for foreign investors. We are the market for domestic stocks, and we stay so.

As for the pricing rules, in order to use quotes from Moscow Exchange for, let's say, matching and price execution, it would require paying data fees to Moscow Exchange, data commissions. As for the foreign stocks story, Anton, can I pass the floor to you?

Anton Terentiev – Director of IR

Yes. Basically, just to underscore the situation, we only intersect with SPB Exchange in one product, not even in one business line, not even in an asset class, but in one single product, which is foreign stocks. And we are now adding ourselves foreign stocks. So, we just started this process as you know. And we are now just short of 100, but we expect to have several hundred by the year-end, as Max just said. So we intend to elevate our game in that department.

It's a complete misconception in my understanding to say that retail is flowing away from Moscow Exchange into SPB Exchange. The studies that my colleagues have made basically show that all clients that trade on SPB Exchange or nearly all clients are trading at SPB Exchange trade in Moscow Exchange as well. But not all clients that trade on Moscow Exchange actually connect to SPB Exchange.

On a market participant basis, at least two large market participants, which are Sberbank and Raiffeisen Bank, cannot connect to SPB Exchange for risk and compliance reasons. So, we don't see this outflow. We acknowledge the competition in one particular business product that we launched many years after they did. And let's see what happens towards the end of the year. Does that answer your question?

Andrey Pavlov-Rusinov – GS

Yes. Thanks a lot. That's pretty helpful.

Operator

Thank you. The next question comes from the line of Andrew Keeley from SberCIB. Please ask your question.

Andrew Keeley - SberCIB

Hi. Good afternoon. Thank you for the call. Well, most of my questions have been asked and answered. I guess just a couple of small follow-ups. On the foreign equities, I think you disclosed in December that foreign equities were 1.5% of your average daily volumes. Could you give us an update on where that kind of figure stood maybe in February? That's the first question.

And then just on the costs question. I just wanted to check I understand right. Is this family of development projects primarily for upgrading risk and compliance systems this year? The bulk of that 6 percent to 8 percent is being spent on those and that is basically a one-off expense for this year? Is that correct? Thank you.

Max Lapin – CFO

Good questions, Andrew. Thank you very much. Let me start with the second one, and then we'll revert to the foreign equities. Yes, I would look into this family of risk management and compliance development projects as a kind of one-off for 2021. It's a group of initiatives promoted within the NCC, the clearing center and the Moscow Exchange to upgrade the systems. We have new heads or business lines, legal entities and functional lines stepping in in 2020. We have beefed up the team. And the people brought expertise onboard and decided to help upgrading the system to the next level. So, I would see them as kind of a one-off expenditure. Therefore, I already stressed before that it's not like we are changing the trend of expenses. It's like lockstep movement in 2021 following the revenues in 2020 where we could use the windfall of those revenues to upgrade the systems for one year and then go back to trend that we had before. I would definitely see them as a step-up for 2021.

For the foreign equities dynamics, yes, the volumes at the end of December being, let's say, 1.5-ish percent. Now it's floating around 2-3% of overall volumes, and it's following the amount of shares that we are launching.

With more than 80 shares we are trading now and with 250 shares going up by the end of the year, we definitely pick up the volumes and the share in the overall Equities Market as well as the competitive position versus SPB Exchange. Anton, do you have anything to add on that?

Anton Terentiev – Director of IR

Well, yes, just the percentage you were asking, I think it's between 2 and 3 percent, maybe approaching 3 percent of total volumes now. So, it's ticking up step by step.

Andrew Keeley – SberCIB

OK. Thank you very much.

Anton Terentiev – Director of IR

Thank you, Andrew. And I will now read out a couple of questions from our webcasting interface. So, the first one comes from Shamil Mindubaev. It's about the long-term CapEx expectations. So, what will be annual CapEx net of VAT in the next three to five years?

Max Lapin – CFO

We have had that guidance on the long-term guidance for many years, and it remains the same. I would say that in general, we are spending, let's say, 10(ish) percent to 15(ish) percent of our net income as a form of CapEx because we are not a CapEx-heavy company.

On to the CapEx growth that we see coming for 2021. We are accounting in the upper end of the CapEx range that we might have to integrate M&As, an option we may or may not execute. And some of that additional CapEx also comes from potential consolidation of M&A target that might happen in 2021.

So, I would say, if you're looking at organic CapEx for the next year, then it would be RUB 3 bln, the lower range and the longer-term guidance should be around that number, slightly inflated in line with the net income progress for the years to come. The upper range is mostly triggered by M&A expectations that we might or might not make.

Anton Terentiev – Director of IR

OK. The next question we have on this webc asting interface comes from Pawel Wieprzowski from Wood & Company.

"Good afternoon, congratulations on the decent results. I have two questions.

First, Bloomberg reported that in January Equities Trading volumes in SPB Exchange were higher than MOEX volumes. Do you see a material risk of volumes migration from your platform in favor of the former company?"

Like I said, basically, there's no migration of volumes of clients. It's the same clients that trade on Moscow Exchange and SPB Exchange. When they just trade on Moscow Exchange, they can trade across seven well-developed business lines. While at SPB Exchange, they trade just one asset class that was hot, obviously, in the preceding year.

So, as you can learn from NAUFOR numbers – numbers by association of financial market participants – the share of foreign stocks in retail investors' portfolios has gone up in Russia. So, that's an observation that, obviously, we acknowledge. And we have already started working in that direction by launching up to 100 foreign stocks that trade on our exchange, and more will come.

And then the other part of this question is, "what competitive advantages do you have over SPB Exchange?"

So, there are actually multiple advantages. First, we have all investor types, and we consolidate liquidity from all these investor types. These are local financial institutions, local banks, asset management companies, retail investors, and then there are HFTs and algo funds and global players. SPB Exchange basically has just one client category, which is retail. And then it's a question, what kind of the client mix their volumes reflect because there might be a lot of deals between market makers and liquidity providers.

Basically, SPB Exchange is a gateway to global markets. And they just source in the liquidity, and they have limited liquidity locally. And they don't have other classes to build around, and they don't have other investor types to build around. So, that's a very fundamental difference. Moscow Exchange is a real consolidator of all liquidity from all different investor types. And then we have complementary business lines, where you can trade and you can do different strategies on Moscow Exchange across asset classes. That's the second point.

Third point is technological. Because our systems are upgraded continuously, and every year, we implement a lot of new things to make it stable and make it better performing. When we talk about SPB Exchange, from what we know, their last public update of their systems dates back to 2017. And then our infrastructure is resilient, and we disclose every single incident that happens.

Last year, there was only one delay of trading at a single point in time, and we disclosed that. And as you know, we have very capitalized central counterparty. We have full-fledged depositary, etc. As of SPB Exchange, we couldn't find the disclosure of their operational incidents on their website, which is a little bit shady.

And then our prices are accepted by index providers, by the likes of MSCI. And the spreads, we have them narrower than competitors. They are basically as narrow as you can get. So, this all is our own stuff that we have invested into, and we are not sourcing anything from the outside. We keep developing our systems and we keep capitalizing our entities. That's the situation.

Now let us go on. Let us move on to the fixed lines, and maybe we have some further questions on over telephone.

Operator

Thank you. The next question comes from the line of Andrzej Nowaczek from HSBC. Please ask your question.

Andrzej Nowaczek – HSBC

Thank you. I have a couple of short questions.

First, I'm curious if there is any update on Finuslugi since we had the call a month ago? For example, how is client onboarding looking? What are the numbers? Did you see much business yet?

Anton Terentiev – Director of IR

Yes, just a quick response. We don't have much of an update on the Marketplace. I've double checked with the team if we have anything to add on top of January 29 package of information. No, we don't at the moment.

Andrzej Nowaczek – HSBC

OK. Fine. And then have you done any analysis what the impact of longer trading hours has been on volumes?

Max Lapin – CFO

Yes, we've done two types of analysis, the one I can share so far and the one that we are still processing. With the evening trading hours, we didn't see the dilution. We've seen additional volumes coming from retail investors. That's seen in the equity section. So, our expansion of trading hours to the evening hours is successful.

This week when we started early trading hours commencing at 7 a.m. Moscow time and finishing almost midnight, we added 3 additional hours. And we're trying to analyze this with so-called microstructure of order books to see whether we have seen migration of orders or whether we've seen additional new volumes. So far, our understanding that we have a good, healthy chunk of new volumes, so it's not dilution of ADTVs. It's additional ADTVs' impact.

So, I would say, let's wait and see. So far, we are very positive on the evening trading hours for the domestic stocks. We are already quite positive on the early trading hours for FX and derivatives. For foreign stocks, it's development like a separate business line.

Andrzej Nowaczek - HSBC

OK. Thank you. Very helpful.

Operator

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

Sergey Garamita – Raiffeisen Bank

Yes. Hello. Thank you for the presentation and congratulations on great results.

Too many questions, too little time. So I will start with dividends. I I wonder if there is any netting between CapEx and M&A provisions? Because, let's say, for the dividend for 2019, you had an M&A provision of RUB 1.4 bln, which was already like accounted in that dividend amount.

Now we see that total CapEx of RUB 3 bln reduced the amount of dividends for 2020. And then you have another M&A provision for 2021 of RUB 2 bln. Shouldn't RUB 1.4 bln of M&A provision for 2020 be excluded from the CapEx numbers in the formula? That is the first question.

Max Lapin – CFO

Good question. I would go back to this type of regulation that MOEX legal entity has. We are capable of taking on debt. So technically, nothing prohibits us from taking on debt. But once we use that debt on any type of expenditure, including M&As, it would hurt our capital position. Therefore, for us, we stick with the zero debt all equity business model. Therefore, we recalculate the war chest for M&As for every year. To go forward, we are looking at the capital position of the companies and what M&A war chest we have going forward.

So, the answer to your question falls into three parts. It's not like pure addition. No, it's not like pure addition. Some of that M&A usage might fall into the CapEx of 2020. So, it was used. Some of that might fall into the capital formula for capital adequacy of the legal entities that we have. The capital position was good, so we recalculated it again. And therefore, we recalculated the M&A provision for the year.

And finally, the third part that we are looking into the M&A provision as the list of targets from scratch that we need to look into 2021, which may be the target. So, I wouldn't go for the cumulative story here. I wouldn't be boldly slapping one number on top of the other number.

Sergey Garamita – Raiffeisen Bank

So, do I get it clear that there's no double accounting in this when you calculate dividends? So, there's no double counting for M&As in this formula?

Max Lapin – CFO

I would say, Sergey, no, because the buffer that falls into the Exchanges' regulatory capital compensates for that. We are looking to the regulatory capital that's needed. Therefore, we are not adding much regulated capital. We already had some buffer.

Sergey Garamita – Raiffeisen Bank

And in general, is this M&A provision to stay long? Should we see another one for the dividend for 2021, 2022, so on? Is it a long-term thing?

Max Lapin – CFO

I would say that we will have some kind of recurring story every year where we'll be reassessing M&A provision for every year from scratch and then calculating capital adequacy from scratch. So, I would say that this dividend waterfall that is visible here is here to stay until we change the dividend policy. But this dividend waterfall clearly shows core buckets. The two of them are very much largely predictable to you due to the reporting numbers, the first two buckets. The bucket for M&A, we are not aiming for large M&As. Therefore, I would say, we probably have RUB 1 bln or RUB 2 bln provision for a year. But we are not guaranteeing to spend it. And then we have a rebalancing working capital and regulatory capital for the legal entities. That's it. So, no double counting.

Sergey Garamita – Raiffeisen Bank

So, do I understand it clear that if, let's say, you do not spend it this year, I mean, this money on M&As, the dividend should be adjusted for this in the formula for the next period, for 2021?

Max Lapin – CFO

Yes. Technically, readjust it via the working capital bucket. So, you'll have to add or probably not add working capital at all.

Sergey Garamita – Raiffeisen Bank

And could you just clear up what M&A initiatives are you currently considering for 2021, apart from increasing your share in NTPro? Or is it just NTPro increase up to, let's say, 100%?

Max Lapin – CFO

No, it's not only NTPro. We have several targets in the line. We'd rather not disclose the areas as to avoid extra competitive bidding for those targets. But those are like niche acquisitions for a given business line, not like very much diversified acquisitions, talent acquisition or client pull acquisition.

Sergey Garamita – Raiffeisen Bank

OK. And just a couple more questions. On the OpEx, a lot has been said already, but still do I understand clear that everything besides business as usual is a one-off? And let's say, in 2022, there's going to be a drop in OpEx YoY or flat OpEx, let's say, excluding everything on top of business as usual?

Anton Terentiev – Director of IR

Yes, Sergey, let me just clarify. It's a one-off growth factor. It's not cost in nominal terms that will get away from the base next year. It will stay in the base, but this will not be accompanied by growth. So, we're talking about some extraordinary events that input growth. And they will stay, but we are not expecting to grow them once again next year.

Sergey Garamita – Raiffeisen Bank

So, the growth should be kept going forward, but there's not going to be, let's say, an exclusion of these costs YoY. OK. Got it.

Max Lapin – CFO

Sergey, if I may. If you would go to Page 18. Page 18, 5-6% is the trend that we have. The family of development projects is a step-up that happens in 2021 due to strengthening in risk management and compliance. So, it's not going away, but it will not continue on top of the business as usual in the years to come up to 2021. So, it's a step-up, but that's it. For the Marketplace, it's a front-loading.

Sergey Garamita – Raiffeisen Bank

OK. So, Marketplace could be excluded. And last question regarding your financial jaws. Where is the line between jaws and OpEx growth? Do you maintain these jaws only between fees growth and like business as usual growth? Or you just sum up all the OpEx growth and if fees grew at a little slower pace than you expected, then you just wouldn't spend more on family of development projects, on Marketplace or something like that? Or you just keep this jaws between business as usual OpEx and fees? And do you even consider your interest income growth in these calculations or not? Yes, that's it.

Anton Terentiev – Director of IR

Sergey, just let me briefly start with that. Let me guide you back to the strategy announcement when we were basically referring to the jaws between fees and commissions and OpEx.

So that's the kind of gap we're looking at. And that's the kind of gap we draw your attention to on one of the intro slides, that is slide number 6, where we basically show this cash cost to fees and commissions. You can actually do it different ways, but it's our regular stance to attribute costs to fees and commissions and look at jaws on that metric.

And during the strategy announcement, we said that we wanted to keep the jaws flat to maybe improving. But we are not ruling out that in a given year jaws might be negative. So, long term between the strategic announcement and the end of the strategic horizon, we intend to keep jaws flat to improving. But in a given year, they may be negative.

Year 2021 remains to be seen. Because we already have a huge chunk of fees and commissions, and we already have very high weight of fees and commissions in our total operating income. And you see from the numbers, from the volume numbers in the first two months, we're doing well.

Now, we might end up growing at single digits, mid- to high-single digits. When we run into the high base, nobody knows. It could be double digits before that. But even if we assume some single digits against the high base, we can still have this 2021 fees and commissions growth around the level of 10%. Let's put it this way: maybe high single digits, maybe low double – around 10%. So that's RUB 3+ bln in extra fees and commissions.

Now what's going to happen to the NII? NII might still be down, but already not to that significant extent. And then we're looking at costs. 10% or even more than that, 10%-15% cost growth will eliminate something like RUB 2 bln out of this RUB 3 bln growth on fees and commission. Then there is RUB 1 bln left for NII.

So, technically, we're balancing on the level of neutral jaws. It could happen that we have neutral jaws this year or it might also happen that we have them slightly negative. But generally, we're not looking at a single year basis. We're looking at a multiple year basis. That's the approach. Does that answer your questions?

Sergey Garamita – Raiffeisen Bank

Yes. Yes. So, as I get it, you're just targeting the low range of 11% growth for OpEx. And if anything happens to your fees, you can't guarantee that the jaws will remain positive in that case. But other than that, in the guidance of 11-14% percent OpEx growth, you manage these jaws. Is that right?

Anton Terentiev – Director of IR

Well, yes. The dynamics we're having on the fees and commissions so far this year and the OpEx guidance does not guarantee that we go into negative jaws. Also, this does not guarantee that we inevitably go into positive jaws. We might be balancing, but there is no clear outcome of the year 2021 as we're now in March.

Sergey Garamita – Raiffeisen Bank

OK. That's clear. Thank you.

Operator

Thank you. The next question comes from the line of Samarth Agrawal from Citi. Please ask your question.

Samarth Agrawal – Citi

Hello and thank you for taking my questions. Most of my questions have been answered. So just two questions. One on retail clients and the second, a follow-up on costs.

So, the first question, I just wanted to understand your thoughts on the growth of retail clients. I mean the penetration is lower versus other markets. But I'm surprised at the pace of growth, which is quite resilient and is even quite strong in 2021. What in your view is driving this growth? Is it just market levels or increased awareness? So, any thoughts on that would be appreciated.

Anton Terentiev – Director of IR

OK. Samarth, your line was a bit noisy. Just to clarify, is your question about the drivers for the growth of retail investors?

Samarth Agrawal – Citi

Yes, exactly. So, I mean that the penetration is lower, but the pace of growth in retail accounts is quite strong in 2020 and even into 2021. So yes, any thoughts on that would be appreciated.

Anton Terentiev – Director of IR

Yes. So, basically, you can look into two – into a couple of factors. First, it's low rates. And second, it's the availability of online channels. And then the third factor we were showing in our presentation, now we can even measure the two factors and compare the size of financial instrument investments and amount of deposits. And we see the ratio going up. That's the 18% ratio we show on slide number 3 on the screen here.

But this 18% ratio is far from peers like China, for instance, we're referring to. There are peer countries that have this ratio as high as 50% or 100%. So, we can see some continuing conversion from deposits into financial products. And this is mostly driven by this combination of low rates and market performance, of course, and fully available online channels for account opening and account servicing. Did I answer your question?

Samarth Agrawal – Citi

OK. Yes. Just one small follow-up on that. Would you update on trading patterns from the new clients? How much of the volumes from new clients is going into short-term trading? Any update on that?

Anton Terentiev – Director of IR

Can you please repeat? Because like your line is a bit noisy. Can you say it a bit shorter maybe?

Samarth Agrawal – Citi

OK. So, I wanted to know if you have any data on trading patterns from the new clients, like how much the volumes from new client is going into short-term trading, some data related to that.

Anton Terentiev – Director of IR

OK. OK. Got it. Well, it's kind of – that's something we have, but that's internal data. We have our analytical products that are based on this.

Max Lapin – CFO

I would say if you would go into our regular, longer investor presentation that's updated monthly. Today, we are reviewing the earnings presentation. There is also investor presentation.

There is slide 7 showing volumes from retail investors. And if you would benchmark the share of retail investors trading in 2020 versus 2019, there is such a benchmark on that page 7, you will see the influx of volumes. That influx of volumes should actually be counted twofold because retail investors are trading against others. Therefore, additional volume they bring is being mirrored in the other volumes. So that would be a rough assessment of the business that new clients bring to us.

If you would compare numbers of 2020 versus 2019, the most profound impact would be in the derivatives and equity market both. So, retail investors are beefing up their market share or share of trading in those two market business lines specifically. That would be the best data available in the volume section of the slide that we provide.

Anton Terentiev – Director of IR

And also one extra addition to what Max has just said, we have a number of active accounts in our regular investor presentation. And if you look back, we had a huge surge of number of accounts over the last couple of years. All these active accounts, vast majority of the active accounts are inevitably new accounts. So that's another proxy that you can use as well from our presentation.

Samarth Agrawal – Citi

Got it. That's helpful, thank you. The second question is just a follow-up on costs. I mean on slide 6, I see that your ratio of cash cost to fee and commission income has declined to around 39%. Is that some level which you think might be sustainable over the longer term? I know you have not explicitly guided on that, but I just wanted to know your thoughts on longer-term cost to income ratio.

Max Lapin – CFO

Let's look into the sustainability of our margins on a long-term grade. The EBITDA margin is generally for us like 70% for many years, so sustainability is there. The net income margin is also hovering around 50%. If you would look into different ratios like cash cost ratio – cash cost ratio has been improving. The KPI for the management is the cost to fees and commission ratios.

So, the management and the corporate KPI is the cost-to-income ratio. Income in this regard is the fees and commission income. So, we are heavily motivated to sustain cost control into the future. And I would say that the spike that we had in the fourth quarter is explainable also by the strong year we had. So, I do understand your concern in forecasting the cost, but let's say, we are heavily motivated to keep cost under control.

Samarth Agrawal – Citi

OK. And would you also have expense schedules for your new LTIP program? Like how much of it would be expensed in 2021 and 2022 and so on?

Max Lapin – CFO

Good. I would look onto the LTIP program description in the investor presentation. It shows the quantity of management falling into that program. The program is being expensed on a regular basis, provisioned on a regular basis. So, I would look into the quarterly reporting for the LTIP numbers. And then you would see the numbers for long term. We will be expanding amounts in this first quarter and the second quarter. Therefore, you will have like full year expenditure starting third quarter last year, fourth quarter last year, first quarter this year and second quarter this year. And you will start to understand the amount of provisioning for that program. Once it hits into the base, the changes third quarter this year over the third quarter last year will be less than before.

Samarth Agrawal – Citi

OK. Got it. Thank you. That's all from my side. And congratulations again on your good results. Thank you.

Anton Terentiev – Director of IR

Thank you. Thank you. So, let me read out then one question from Svetlana Aslanova of VTB Capital from the webcasting interface. So, one of her questions has already been answered. The other one is about NII. So now we are set to talk a little bit about NII. So, do we see changes for Core NII quarterly numbers, given the changes in currency mix and prospects for interest rates in 2021?

I'll just start answering that question. Just to recap what we said during the previous call, our range for Core NII was RUB 2.8-3 billion. That's what we said during the previous call. Now we had that figure at about RUB 3.1 billion, RUB 3.2 billion in the fourth quarter. Why did that happen? That happened because we had quite a lot of USD balances that came into our accounts in Q4. We could have had about like RUB 200 million of extra Core NII from this elevated USD balances that we quite unexpectedly had in Q4.

Now, looking forward, our Core NII – the run rate for the Core NII – will remain at, let's say, RUB 2.7-3.0 bln a quarter. And we expanded that range a bit because of this volatility of client balances that we had started seeing. So, in Q1, we might be slightly towards the higher end of that range, and we might be slightly progressing towards the lower end of that range towards the end of the year.

So, this RUB 2.7-3.0 bln quarterly Core NII range might apply to the next four quarters, basically to the entire 2021. Plus, in Q1, we might see some revaluation gains. We might be rebalancing portfolio in Q1, but unlikely beyond that point.

And as for the currency mix, ruble remains our main currency. And I know that one of the next questions will be about the FX structure of NII. And I will say that it's a very rough estimation, because a part of our NII that stems from FX swaps cannot be attributed to particular currencies. It's the interest rate differential thing. But roughly speaking, rubles give us something like 78% of NII. That's NII, not core NII. And dollars give us about 20%. And the remaining like 2%, maybe 3% is what we have from euros. That's it.

So, we're ready to take the next question over the telephone.

Operator

Thank you. The next question comes from the line of Florian Gueritte from LGM Investments. Please ask your question.

Florian Gueritte – LGM Investments

Hi. Yes. My first question is on the velocity of the equity market coming from like the 20-25% range to more than 60% now. Does that come from just the new retail investors coming in and trading much more? Or that also include existing clients that stepped up their trading activity during 2020?

Max Lapin – CFO

Two answers. The first half of 2020 – volatility driven. Second half - retail investors driven. So, the sustained high velocity is not from volatility anymore. It's coming from retail clients. It's not volatility factor on the existing clients, mostly new retail clients.

Florian Gueritte – LGM Investments

OK. And my second question is in your relationship with the corporates, especially the CFOs, treasurers. I mean it's great to see new bond issuers on the platform. But we still see a lot of IPOs going abroad, be it New York or Fix Price in London. So that means you haven't convinced them that MOEX is the right place to list. So, what are the factors, what still remains to be done at MOEX to attract more issuers on the equity, bond markets?

And second is, again, those new issuers in the bond market, how do you expect to keep on working those relationships to bring more of their business on the market instead of dealing with banks, be it the treasury management, the bond issuance, money markets and maybe longer term also equity issuance?

Anton Terentiev – Director of IR

I will take's the first question about IPOs. I totally disagree that we have a problem with IPOs. Because all these listings, nowadays, they happen on several platforms. Basically, one of these platforms might be either LSE or NASDAQ. And the other one is usually, in all these cases, Moscow Exchange.

Now why is that? Because corporates are trying to take the best of both worlds. They want to be benchmarked against companies with high multiples that trade on global platforms just because of persisting Russia discount and all the macroeconomic conditions and global political conditions. They want to be benchmarked and they want to be pegged to just higher multiples. So, they are importing multiples from global platforms. And there is nothing we can do about it, quite frankly.

But on the other hand, they want to trade locally because they understand that the richest liquidity is here because we kind of accommodate all investor types, all local investors – retail, institutional – and all global investors: algo, HFT and classical long-only funds.

So that's the strategy that corporates are implementing nowadays. They want to trade on Moscow Exchange. And they know they will be actually trading on Moscow Exchange. But they also want to be pegged to some global benchmarks and get a higher multiple from that.

Max Lapin – CFO

Speaking of the bond market, the share of Moscow Exchange in the corporate portfolio of liabilities is 30% versus banks holding 70%. We think that 30% is already good enough. We are capable of holding that share.

In terms of going further, the competition is out there. The access of corporates is quite easy on the bond market. Therefore, we do see them being present in the bond market. And you would have seen that in very strong primary volumes of corporates in the fourth quarter where they capitalized on the low interest rate environment. So, I would say bond market is in competition, but it's not under threat.

Anton Terentiev – Director of IR

Florian, did we answer your questions?

Florian Gueritte – LGM Investments

Yes. But I'm wondering also on the asset side, like do you expect to have those treasurers and CFOs move some of the deposit balances, cash balances on money market on MOEX like moving most of all the finance departments with MOEX gaining share or the financial market gaining share, both on the liabilities and the asset side as well. But yes, you answered most of my question. That's it for me. Thanks.

Anton Terentiev – Director of IR

OK.

Operator

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

Anton Terentiev – Director of IR

OK. I'll just start saying some concluding remarks, if we have more questions, please take them.

So, thank you very much, everybody, for this comprehensive set of questions. I hope you did get all the answers. I hope we managed to explain the OpEx performance, and we managed to explain the dividend bridge. If any of you have follow-ups, do let me know. We can continue on a case-by-case basis.

So, I would just say that we're not far away from the AGM, and we aren't too far away from the next quarter already. So, looking to have you vote at our AGM and participate in our next Q1 conference call. Thank you very much, everybody.

Operator

That does conclude our conference for today. Thank you for participating. You may all disconnect. Have a nice day.

Max Lapin – CFO

Thank you.

Anton Terentiev – Director of IR

Thank you.