MOSCOW EXCHANGE

1Q 2019 IFRS results conference call

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Moscow Exchange Speakers:

- Max Lapin, CFO
- Anton Terentiev, Director of IR

Participants asking questions:

- Andrzej Nowaczek, HSBC
- Bob Kommers, UBS
- Elena Tsareva, BCS
- Andrey Pavlov-Rusinov, Goldman Sachs
- Sergey Garamita, Raiffeisen Bank
- Paweł Wieprzowski, Wood & Company

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Anton Terentiev – Director of IR

Thank you. Good afternoon everyone, and welcome to MOEX 1Q 2019 IFRS results conference call. As usual, after the prepared remarks, we will have a Q&A session. Today we have on the call our 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 the 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 of 1Q 2019. Our management presentation is available on the Company's website in the IR section.

I will now hand the call over to Max Lapin. Max, please go ahead.

Max Lapin – CFO

Thank you, Anton. Thank you all for joining us today to discuss Moscow Exchange's financial results. Let us start with the summary of the delivery on our strategic business initiatives since the beginning of the year.

First, we continued to expand the range of products. We have launched the Russian Secured Funding Average Rate (RUSFAR), a new interest rate benchmark calculated based on GCC repos. In the Derivatives Market, we added futures and options on two ordinary shares – Polyus and MMK.

Asset management companies continued to list new ETFs on Moscow Exchange. Two Russian-law ETFs tracking the S&P 500 index and one foreign-law ETF tracking US T-bills became available. There are now 23 ETFs trading on the Securities Market. Seven of them are Russian-law ETFs. We are also working on expanding the set of settlement currencies and modes for trading ETFs. Four Russian-law ETFs settle in USD. Eleven foreign-law ETFs have recently transitioned to USD settlement in the T+2 mode.

In the FX Market, an experimental USD/RUB order book with random delays became available. It eliminates technical access arbitrage to boost block trading – for example, non-HFT institutional liquidity.

We also launched two sustainability indices in partnership with the RSPP. The RSPP has developed the methodology for selecting constituents, and MOEX is responsible for day-to-day calculation of index values.

Second, we delivered several new services to market participants. International Clearing Membership (ICM) was introduced on the Derivatives Market, allowing international clients to clear and settle trades directly with NCC. Basically, this has eliminated the need to find a broker in Russia, thereby reducing the counterparty risk. We now have the first international clearing member in derivatives.

The settlement currencies available for overnight CCP repos were expanded to four with the addition of CNY.

Following the introduction of the Unified Collateral Pool (UCP) last year, we started a new market-making programme that covers both stocks and futures on these stocks to stimulate activity in both markets.

Finally, we launched a proprietary aggregator website for asset management products. This website is integrated with asset managers' websites and allows retail investors to choose among different funds and strategies. Transactional capabilities are to follow.

Third, MOEX continued to develop its client base and partnerships. In 2019 to date, 80 corporates, including 14 newcomers, placed bonds on MOEX. We continued to see elevated activity of retail clients as the number of Individual Investment Accounts (IIAs) climbed 29% YTD. The number of corporates on the FX and Money Markets is still on the rise. There are now 37 corporates with direct access to the FX Market and 116 corporates connected to CCP deposits.

MOEX joined the UN's Sustainable Stock Exchanges (SSE) initiative, which unites global exchanges in their commitment to promote responsible investments and advance corporate performance on Environmental, Social and Governance issues.

The Exchange held its 10th annual MOEX Forum, which attracted 2,000 participants. MOEX also signed an MoU with two Indian exchanges – BSE and India INX. The parties will look into cross-listing of derivatives and ETFs and explore other possible areas of cooperation.

RUSFAR – the benchmark for secured short-term lending. RUSFAR is calculated daily for six different maturities ranging from one day up to three months. It stems from transactions and orders in the GCC repo order book. We hope that in time it will become a major reference rate in the Russian interbank market and provide banks with an opportunity to offer floating-rate credit products. It has a number of advantages.

First, RUSFAR is a truly market interest rate based on actual market activity of more than 200 participants in a single order book that concentrates liquidity. The market structure accommodates professional market participants – financial and non-financial companies. There are 17 market makers to ensure that the rate is representative. The emergence of RUSFAR complies with the global trend of abandoning poll-based reference rates in favour of transaction- and order-based indicators.

Second, the involvement of the CCP precludes the discrepancy between counterparties' credit risk from affecting the interest rate.

Third, since RUSFAR is a repo market interest rate, it reflects the cost of secured lending. The GCC mechanism eliminates dependence on the shortage or unavailability of a particular security.

We envisage that RUSFAR will serve as an underlying for several new instruments traded on MOEX. We have already launched Overnight Index Swaps (OIS) in our Standardised OTC Derivatives Market and will be looking to add on-exchange derivative contracts linked to RUSFAR.

Recent trends in the Money Market. I would like to give an overview of the latest trends in MOEX's largest market – the Money Market. In 1Q 2019, Money Market trading volumes were flat YoY. However, the overall trading volumes are not a reliable proxy for fee income in the Money Market. There are several reasons why we are actually seeing strong fees despite flattish ADTV.

The value of outstanding positions in repos – the open interest – drives fee income. This open interest has been growing quite steadily, as you can see on the bottom-left chart. Due to a gradual extension of repo terms, the open interest is rolled over less often. The fee income, in turn, is a product of the one-day tariff, repo term and the value of the open interest.

The average term of on-exchange repos in 1Q 2019 was 4.4 days, which represents an extension of more than one day compared to 1Q 2018. The main reason was a surge in average terms of GCC repos from two days in 1Q 2018 to almost nine days in 1Q 2019. Our initiatives have been stimulating these developments.

Emergence of FX-linked instruments. Retail investors are interested in a variety of convenient instruments that provide exposure to different markets and currencies. With this in mind, we have been working on expanding our FX-linked product offering.

ETFs are an example of a product tailored primarily to the needs of individual investors. Currently, we have 16 foreign-law ETFs and seven Russian-law ETFs – 23 in total. Eleven of them provide exposure to foreign equity markets, and other four track USD- and EUR-denominated fixed income instruments.

The futures on the Solactive US Large Cap Index (US 500) have gained ground since the launch, with their ADTV reaching more than RUB 400 mln in 1Q 2019.

Eurobonds provide exposure to FX-denominated fixed income. We have about 30 Eurobonds with a notional within USD or

EUR 1,000 exhibiting trading activity. Since the revision of taxation of individuals' income from FX revaluation, this activity has more than doubled.

Overall, our daily turnover of products providing exposure to FX-linked securities approaches RUB 1 bln – roughly USD 15 mln.

This concludes the thematic portion of our presentation for today. Now, let us turn to the financial results for 1Q 2019.

The summary of the quarterly financials. Operating income increased 4.2% YoY. Fee and commission income was up by 11.1% YoY. Net interest and finance income declined 9.8% YoY. However, core net interest income (NII), which excludes the realised revaluation of the investment portfolio, was down only 1.7% YoY. Other operating income grew eightfold to RUB 255 mln, including RUB 218 mln from a legal provision reversal. On the slide, this line is added to the fee income. As a recap, a provision of RUB 873 mln related to a legal case was recognised as other operating expenses in 2Q 2018. In 4Q 2018, we released 75% of the original provision following a positive ruling of the cassation court. A provision requires an outstanding liability as a precondition. Since we have won the cassation, there is no liability. Thus, the remaining 25% of the provision is now released.

Operating expenses (excl. provisions) increased 5.9% YoY, which is below the full-year guidance of 9–12%.

As we disclosed at the end of April, in 1Q 2019, we recorded a one-off provision of RUB 2.4 bln related to the grain market. It is still much too early to provide an update on this situation; but to reiterate the key points: the provision covers, first, confirmed cases of grain shortage and, second, a conservative reassessment of additional potential risks related to the performing counterparties. We will be adjusting the provision in the ensuing reporting periods as market participants fulfil their obligations to the Company and as we obtain compensation from other sources. The only affected segment is grain swaps. Grain forwards and spot trading in grain are not impacted, and neither is trading in sugar.

EBITDA adjusted for one-off provisions and movements in the IFRS 9 allowance grew 0.6% in 1Q 2019. The adjusted EBITDA margin was 70%. Adjusted net income declined 2.8% YoY but was flat QoQ.

Fee and commission income. Fee and commission income grew 11.1% YoY. The Money and Derivatives Markets grew at the fastest rates among all markets. These two posted record highs and increased their share in fees and commissions at the expense of the FX, Equities and Fixed Income Markets. Depository and Settlement Services also delivered strong performance in the quarter.

Money Market. The Money Market fee income increased 23.2% YoY despite flat trading volumes. The discrepancy between fee income and trading volumes was attributable to the extension of repo terms, a UCP-linked tariff increase, and CCP repo accounting for a higher share of trading volumes – 89% in 1Q 2019, up 8 pp YoY.

Depository and Settlement. Fees and commissions from Depository and Settlement Services were up 13.4% YoY. The main growth driver was a 10.3% increase in average assets on deposit. The growth in assets was observed across all asset classes. Volumes of repo with CMS through NSD grew 4.7x YoY. This resulted in growth of income from collateral management and clearing services compared to 1Q 2018 and supported the average fee.

FX Market. In the FX Market, trading volumes declined 9% YoY. The volumes declined in both the swap and spot segments. Fee income was down 5.9% YoY. The effective fee in the market was supported by the UCP-linked fee rate hike in the swap segment. However, the growing concentration of trading volumes with larger market participants largely negated the UCP effect.

IT Services, Listing and Other Fee Income added 33.9% YoY. We saw growth across the board. Listing fees increased 65.9% YoY due to the scheduled tariff update and a higher number of issues. Sales of market data added 20.6% YoY on the back of the weaker RUB exchange rates vs USD. Sales of software and technical services were up by 16.8% due to a unification of tariffs and a weaker RUB as well. Other fee income grew 65.8% YoY. This line included the contribution of the Commodities Market.

The Derivatives Market fee and commission added 32.5% YoY, making it the fastest-growing MOEX market by fees in the first quarter. At the same time, trading volumes declined 9.1% YoY. Higher fees despite lower volumes were the result of several factors. First, we saw a continued rise in the share of commodity derivatives (those are the expensive ones). Second, the Standardised OTC Derivatives Market gained ground, more than doubling its trading volumes YoY. Third, the UCP-linked fee rate increase had a positive impact across all types of contracts. And finally, IFRS accruals played a role by lowering the income in 1Q 2018 and creating a low base effect.

Fixed Income Market. Fee income from the Bond Market declined 13.6% YoY, while volumes (excl. overnight bonds) were down 18.9% YoY. Primary placements contracted 2.6% YoY due to the corporate and other bond segment. Placements of government and CBR bonds grew 10.2% YoY, and the structure shifted towards federal government bonds (OFZ), which had a positive effect on the blended fee on the Fixed Income Market.

Equities Market. Equities trading volumes were down 13.5% YoY on the back of subdued volatility. Fee income declined 11.8% YoY. Lower velocity offset higher price levels as the MOEX Russia Index reached a new all-time high. The average value of the MOEX Russia Index increased 9% YoY. MOEX continued to strengthen its position in trading of dual-listed stocks. The share vs the LSE in 1Q 2019 grew to 65%, which is 5 pp more than a year ago.

Interest and finance income in 1Q 2019. Net interest and other finance income declined by 9.8% YoY, but added 5% QoQ. At the same time, core NII, which excludes the realised revaluation of the investment portfolio, only declined 1.7% YoY and grew 3.4% QoQ. The average investment portfolio added 13.7% YoY. Euro-denominated client balances increased to 49% YoY and their share in client balances rose by 15 pp. This was the major factor behind a lower effective yield on the investment portfolio.

Operating expenses in 1Q 2019. Operating expenses added 5.9% YoY. Personnel expenses grew only 2.9% YoY held back by a bonus provision reversal of RUB 112 mln. If it had not been for this reversal, total OPEX would have increased by 9.1% YoY, which is at the lower end of its 9–12% guidance range. Therefore, we keep OPEX guidance intact at 9–12% for the financial year 2019. Headcount grew 4.3% YoY in connection with the implementation of the Marketplace project. D&A and IT maintenance expenses increased by 8.1% YoY, driven primarily by maintenance. Other than D&A and IT, OPEX growth was affected by a 53.8% increase in Professional Services expenses, which contains the logistical expenses related to the Soft Commodities Market.

CAPEX for the quarter was RUB 239 mln.

This concludes the presentation. We are now ready to take questions.

Operator

Thank you. Ladies and gentlemen, we will now begin the Q&A session. As a reminder, if you wish to ask a question, please press "*1" on your telephone keypad and wait for your name to be announced. The first question comes from the line of Andrzej Nowaczek. Please ask your question.

Andrzej Nowaczek – HSBC

Thank you very much for the presentation. My first question is on UCP. Can you go over the UCP-related fee hikes again? I am interested in the timing of it and the take-up rates as we have progressed. Is it now

100% implemented? When did it kick in? Was it December? January? February? Thank you.

Max Lapin – CFO

Thank you, Andrzej. This is Max. First, the UCP hikes were final as of 1 November 2018. The hikes were completed back then. They are reflected in the effective fees from this year, obviously. As for the take-up rates, during the last call we talked about 20% of our revenues coming from the UCP accounts. Now, around 25% of our revenues are coming from the UCP accounts, which means we are still seeing further adoption of the UCP service among our clients.

Andrzej Nowaczek – HSBC

Thank you very much. Would you have a comment on the RUB 259 mln entry, the extra cost?

Max Lapin – CFO

Yes. There have been several incorrectly processed administrative payments. It is not connected to trading and clearing activities. It is detached from the core business operations. It took a set of measures to resolve the case. We improved control procedures and there is an investigation going into this case. Because of that, we will not be providing any further comments on it until the investigation is complete.

Andrzej Nowaczek – HSBC

Thank you very much, Max.

Operator

Thank you. The next question comes from the line of Bob Kommers. Please ask your question.

Bob Kommers – UBS

Good afternoon. I have two questions. One is regarding the Money Market. I just wanted to ask you how sustainable that extension in the average repo terms is. If, as you say, it is mainly driven by your own initiatives, which additional initiatives are you taking? Where do you expect that number to grow to? It is now just over eight days on average. My second question relates to daily balances – they were up in 1Q, I wonder if you could break that down into what has been driving that? What has been the impact of UCP, the additional impact of UCP on your daily balances in 1Q? What has been the impact from market volatility, I reckon, in particular, FX market volatility? Thank you.

Max Lapin – CFO

Thank you, Bob. It is always a pleasure to take your questions. First, the Money Market. The reason why we started to show open interest on the slide is to explain that the duration, the length of the trades on the Money Market, became longer. That has been our strategy and we have been working on that from several angles. First, we have been allowing new market participants to come onto the Money Market, which started to happen one and a half years ago, and those were mostly corporate clients. The corporate clients tested the waters with shorter, more regular types of repo trades that lasted two to three days, which are akin to several overnights. Nowadays, we expect them to go into longer deals on a regular basis, which is normal. For us, the revenues are the function of the duration of the trade multiplied by the daily rate, multiplied by the overall size of the position. Strategically, that is exactly why we have been looking at a higher participation of the corporates on the Money Market with the longer duration. That is why, from the second angle, we launched the RUSFAR indicator as an opportunity to commercialize that further. As for the future, we would still be expecting an increase in duration. Those repo terms on page 4, bottom left, we will be expecting further improvement. So far, it does not seem to be like a slowdown, but naturally, there will be some kind of a ceiling. However so far, the situation is improving and it is one of the major drivers for the Money Market this year. As for the daily balances, I will pass the question to Anton.

Anton Terentiev – Director of IR

Hi, Bob. A brief comment: as we were guiding previously, the UCP obviously has a negative impact on daily balances, primarily in rubles and US dollars, because these are our yielding currencies. For now, our current analysis shows that the effect of UCP on the reduction of client balances has been nearly fully realized. As for volatility, obviously volatility was not spectacular across the markets in 1Q, so that has to be a factor as well.

Bob Kommers – UBS

Can I follow up? What has been the driver of the overall increase in daily balances given that it has not been UCP, nor market volatility?

Anton Terentiev – Director of IR

Our daily balances are mostly in euro. As you know, we have no control over these daily balances – we are having what we are handed by clients. They do not disclose their strategies, so our goal is to manage these funds and make optimal allocation of the resources that we have. There are, as you know, many moving parts in this, including interest rate differential, volumes, volatility, etc.

Bob Kommers – UBS

All right, fair enough. I understand. Thanks a lot.

Operator

Thank you. The next question comes from the line of Elena Tsareva. Please ask your question.

Elena Tsareva – BCS

Good afternoon. Thank you for the call. My first question is about average fees for segments. If possible, could you please provide any estimate what could be the impact on the 1Q fees average performance excluding the UCP impact? Or what you expect the average fees to perform during the year?

Anton Terentiev – Director of IR

All right, Elena. Just to give you a recap of what happened with the UCP fee increase. The UCP fee increase was 6% in tariffs for CCP repos, which is something like 90% of the Money Market. You can allocate it proportionally. Then there was a 10% increase for all derivatives – that is the easy part. For the FX Market, there was a 20% increase in pricing of FX swaps, which is about half of the market. That projects to a degree of 10% of the entire fee for the market. As for the evolution of effective fees going forward, as Max said, we have been taking measures to promote growth of effective fees, to introduce value-added products, to extend terms, etc. As you see, historically, effective fees don't stay flat every quarter. There is always some fluctuation from one quarter to the other, but this gradual general trend of appreciation for effective fees is ongoing and we expect it to continue, but maybe not every quarter.

Max Lapin – CFO

As I often say, not all volumes were created equal. Therefore, if you look at the revenue structure, say, of the Derivative Market with the strongest growth in revenues, you would see that it is driven largely by the commodities, which are an expensive segment, and standardised OTC derivatives, which are also one of the most expensive business lines that we have. So, the key appreciation in derivatives came from the mix effect as well. In some other markets, i.e. in Fixed Income, there was also a slight improvement in the average fee compared to the last quarter and the majority of last year. It returned basically to where it had been a year ago, also because of the mix effect of the share of government and CBR bonds in overall revenues. In terms of predictability of that mix effect, it could be largely driven by the volumes in specific business lines. Overall, yes, I cannot deny that 1Q 2019 was not that good for volumes, but in terms of mix and average fees, it was a good one.

Elena Tsareva – BCS

Many thanks for the detailed answer. A small question on your new digital platform for asset managers. What do you expect in terms of volumes, pricing and revenues? And what does the ecosystem of the digital platform consist of for now?

Anton Terentiev – Director of IR

This project has just been launched, and it's like an aggregator website for now. Out next goal is to progress towards a transactions interface to allow actual deals to happen. It is a bit premature to give certain goals as we are not making any revenues from that yet. Once we start making transactions and see how this is evolving, we can give you further update on that.

Elena Tsareva – BCS

Thank you. That is it from me.

Operator

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

Sergey Garamita – Raiffeisen Bank

Yes, thank you. Just a couple of questions. The first one is a follow-up regarding the Marketplace. As I understand, OPEX does not include the Marketplace costs right now. In which quarter of this year will we see an increase? That was my first question. The other one regards the disclosure of open interest on the Money Market. Do you plan to publish monthly statistics including these stats on open interest on the Money Market for us to be able to better forecast the revenue on the Money Market? My final question is on the missing grain provision. As I understand, you cannot comment on any schedule for recovery of this amount and so on. Previously you guided that you might keep your OPEX down if you see lower fees growth and so on. Since then, you reported this missing grain provision. My question now is whether you could keep the OPEX at least at the lower range of the guidance to mitigate the negative effects of the missing grain provision on net income and dividends, if no recovery is due this year, for instance. These are my questions. Thank you.

Max Lapin – CFO

Thank you, Sergey, for your questions. Let me start with the open interest on the Money Market. We plan to disclose it on a quarterly basis during our earnings calls to show the numbers. Once we set the practice, we will consider showing it on a monthly basis. At the moment, on a monthly basis we are showing volumes rather than open interest, mostly for comparability and historical evidence. In quarterly presentations, you will see open interest on the slide.

As for the Marketplace, the Marketplace project is underway. We do spend on it, we do run development on it. The delay is due to the law that we are looking forward to and that is scheduled for early autumn. The law does not affect the development costs, but affects the scale-up of the project, mostly shifting that from 2H 2019 to the first half of 2020. In terms of project development costs, they will be happening because software needs to be developed and people need to be there for the product to be ready for the market. We are working on the interface. When we talk about the scaling-up costs of the project, it seems that this project would include some B2C-driven costs because of our partnership and fee-sharing with the front-end platforms, but those costs will be proportionate to the adoption rate of the service by end-users. The scaling-up of the project is largely scheduled for late 2019 and mostly to 2020.

Going back to the grain market and the provision, I will reiterate three sources of the potential recovery of this provision. The first is the execution of trades, of the second legs of swaps. The second is that we demand the return of the collateral back to where it belongs. Third, we filed an insurance claim in this regard. The provision that we created covers the identified risk and the assessment of the potential risk. It has been done conservatively, so I would expect decreases and recoveries rather than new additions. In terms of market operations: yes, when we provided the guidance for the year (9–12%), the upper range of the guidance included the highest speed of the Grain Market development. Given that we struck down one section of this market, namely grain swaps, while other sections continue to function, the actual OPEX number might be closer to the lower rather than the upper range of the guidance. During the annual call, I mentioned that one of the drivers of the top range was the Grain Market development itself. We will be looking into that as the recovery goes on, and as we restart the market, we will redevelop the business model back to normal stage. Thank you, Sergey.

Sergey Garamita – Raiffeisen Bank

Thank you.

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, Max. Good afternoon, Anton. Thanks for the presentation. I have several follow-up questions. I will probably start on derivatives fee yields. It was a pretty strong quarter for those, and it was very helpful that you explained the YoY dynamics in the presentation. I would also like to talk about the QoQ dynamics on the yields. Under my calculations, it grew by ca. 35%, with 5% of the growth attributable to the mix effect and the rest was probably explained by the UCP to the tune of 10%. The remaining part is something that I would like to understand a little bit better. What was the driver of the deferred fees from the previous quarter and how did it affect 1Q 2019? Could you provide some data on the level of the deferred fees and how it changed QoQ? Thank you.

Anton Terentiev, Director of IR

OK, Andrey, I can tell you the figure. You outlined two factors. There is another factor – the Standardized OTC Derivatives Market, whose volumes we show on the Derivatives Market slide. These volumes are not that spectacular but these are long-term deals that contribute quite visibly to the result. And it is not so linear compared to volumes. Then the other factor is the IFRS effects you are asking about. I think the whole IFRS effect in the quarter was to the tune of RUB 50 mln, to the positive side.

Andrey Pavlov-Rusinov – Goldman Sachs

Thanks. Could you also tell how it was different from 4Q 2018? What was the dynamics of this IFRS effect? Did it actually increase?

Anton Terentiev, Director of IR

In 4Q 2018, it was negative to the tune of RUB 40 mln, and we had a similar negative effect in 1Q 2018 at around RUB 40 mln.

Andrey Pavlov-Rusinov – Goldman Sachs

Thanks, this was pretty helpful. My second question is on your cost guidance, a follow-up to the previous questions. In case of the grain market, could you highlight what growth you were expecting the grain market's swap segment to contribute? Was it a substantial part of the commodities costs that you pencilled in for this year or a minor part of the overall commodities costs?

You showed a pretty strong cost efficiency in staff costs in 1Q 2019. Do you expect these costs to accelerate from here? Will this be the main driver of you coming back towards your guidance range? Thanks.

Max Lapin – CFO

A wonderful question. Regarding the grain market, the swap market itself does not incur substantial costs. However, the other part of the business structure – reimbursable pass-through costs from the elevators that are reflected both in the revenues and expenditures – does affect the cost guidance. To provide the numbers, if you looked into the Professional Services item in the P&L, it would be RUB 50 mln higher than the comparable quarter of the last year. That RUB 50 mln was driven mostly by pass-through reimbursable costs. Since the market growth is currently on hold, that part of the expenditures is not expected to grow substantially. This is where the potential savings, i.e. gap from the guidance might happen. I would expect it to be within that particular line. As for the staff costs, they did indeed grow by 2.9%. A large chunk of that is explained by the bonus reversal of RUB 112 mln, which I mentioned earlier during the call. I would rather consider the normal speed of growth of the personnel expenses if you analytically added that RUB 112 mln and calculated the dynamics. You would be back to the lower range of our guidance that we provided earlier this year. Going forward, I would be modelling with that logic in mind, and consider that RUB 112 mln as the 1Q effect but not a sustainable thing going forward.

Andrey Pavlov-Rusinov – Goldman Sachs

Thanks, Max, that is very helpful.

Anton Terentiev, Director of IR

Have we answered all your questions?

Andrey Pavlov-Rusinov – Goldman Sachs

Yes, thank you.

Operator

Thank you. Dear participants, once again, if you wish to ask a question, please press "*1" on your telephone keypad.

Anton Terentiev – Director of IR

While we are waiting for further questions, and I see one coming from Elena Tsareva, I shall read out loud one question that we received through the webcasting interface. The question is about the number of individual investment accounts that we have.

We showed this information on the introductory slide: at the end of April we had 770,000 individual investment accounts. I will put the slide on the screen.

We are ready to move on with the questions.

Operator

Thank you. The next question comes from the line of Elena Tsareva. Please ask your question.

Elena Tsareva – BCS

I have two small additional questions. One is on the new strategy. What will be the term of the new strategy and will there be any change to the current dividend policy? I understand there were some discussions that dividends would be part of the new strategy. And what is the term for the new CEO and is there any link to the term of the new strategy? Thank you.

That was the first question, and I will ask the second one later.

Max Lapin – CFO

Thank you, Elena. I will take this question. The new strategy will have the same duration as the previous one – a five-year horizon. The model we will be outlining and the initiatives we will be talking about will span a similar duration. The CEO term, however, is three years, which is the structure that we had before with the Exchange. So, it covers the larger part of the strategy term, they do overlap.

In terms of the dividend policy, it is the function of the strategy. It comes not before but after the strategy. Once we announce the strategy, we will walk you through that, make it public, run a strategy day, go through the initiatives, take all the questions, understand the Company's liquidity position, the potential for growth, additional expenditures and so on. And we will be looking into the issue of the dividend policy together with the Supervisory Board. The overall logic is likely to be in line with what we have now. The Company is paying out what it makes except for what is reserved for CAPEX – the new strategy will specify some CAPEX – what possible acquisitions we might be making, or whatever capitalisations the banking subsidiaries, namely NCC and NSD, might require. The overall philosophy stays, but at the moment in one sentence – I wouldn't expect a CAPEX-heavy strategy. I would expect strategic initiatives but nothing that would be unpredictable or very surprising to you. We remain a relatively low-CAPEX company, by which I mean that historically 10–15% of our net income went to CAPEX. In the future strategy, you should not expect any big surprise regarding that number. The dividend policy is the function of the strategy. Did I get your questions right? Did you get all the answers you wanted?

Elena Tsareva – BCS

Yes, many thanks, Maxim. Also on the CAPEX. Given that we discussed OPEX could be on the low end of the guidance, do you feel it would also be the case for CAPEX, which runs quite low compared to last year?

Max Lapin – CFO

Historically, if we look at the quarterly numbers for CAPEX, we have a relatively classic shape of CAPEX through the year – lighter in 1Q and heavy in 3Q and 4Q. This year we do not change our CAPEX guidance. It stays the same.

Elena Tsareva – BCS

Thank you.

Operator

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

Anton Terentiev – Director of IR

We will wait for a couple more minutes for any further questions to arrive. I am going to check the webcasting interface for questions. I see one from Paweł Wieprzowski from Wood & Company.

"Good afternoon and thanks for the presentation. One question is about income from bonds. It was very strong. Can you explain why? Moreover, the volumes in corporate bond segment were strong in April. Do we consider it a sign of the coming recovery in the corporate bond placements?"

To reiterate, as we touched upon this question in our presentation, the support to the effective fee on the bond market in 1Q 2019 came from the higher share of the OFZ government bonds in the overall CBR+OFZ category. The share of this line rebounded to the level of 1Q 2018, and so did the effective fee. That is the reason.

As for volumes in corporate bonds that were strong in April – that was indeed the case, and we are happy it is happening. It should support the effective figure going forward. It is hard to assess the magnitude, but it is definitely a supporting factor.

Operator

Dear participants, once again – if you wish to ask a question over the phone, please press "*1".

Dear speaker, there are no further questions at this time. Please continue.

Anton Terentiev – Director of IR

Thank you, operator. Thank you very much everybody for participation and good insightful questions. Hope to hear you all next time. Thank you and good-bye.

END