MOSCOW EXCHANGE

Q2 2018 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
- Elena Tsareva, BCS
- Svetlana Aslanova, VTB Capital
- Andrew Keeley, Sberbank CIB
- Robert Bonte, BlueCrest
- Andrey Pavlov-Rusinov, Goldman Sachs

Anton Terentiev – Director of IR

Thank you. Good afternoon everyone, and welcome to MOEX Q2 2018 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 for the Q2 2018. 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. I would like to start with the summary of the delivery on our strategic initiatives since the beginning of Q2 2018.

First, we continued to expand the range of products and traded instruments. We made 10 international stocks eligible for repo through the CCP. This move is a precursor to trading in international stocks, which is scheduled for the fall of 2018. We also launched a futures contract on the US 500 index. The underlying is a market cap weighted index for the 500 largest US public companies. For the convenience of Money Market participants, we also introduced USD deposits with the CCP. Previously, only RUB deposits with the CCP were available. Commodities Market participants can now also trade soybeans along with wheat, grain and sugar.

Second, we continued to work on the new services. The Unified Collateral Pool (UCP) project was completed and launched in its entirety. The first associated fee increase went into effect a few weeks ago, on 1 August 2018. The fee change applies to UCP accounts only. I will provide a more detailed update on this in a moment.

MOEX and our partners for the Marketplace project presented a prototype of the Marketplace platform. The service will provide retail clients with online access to a range of financial products, including deposits and fund transfers. We expect to have the platform fully launched and operational in 2019. NSD together with Interfax developed a new data product called Russia Data Price. Market participants will use it for compiling regulatory reports and addressing risk management purposes.

Third, our client base continued to grow. 28 new corporates and financial institutions obtained access to deposits through the CCP section during Q2. The total number of corporate Money Market participants now stands at 82. Additionally, 5 new corporates joined the FX Market, bringing the total number of corporates to 26.

In the Fixed Income Market, 42 corporates placed 73 new bond issues since the beginning of Q2 2018. 13 of them issued bonds for the first time. Given the size of the pipeline, we may see a greater number of new issuers tapping the market in 2H2018 compared to the 1H2018. We have also seen continued engagement of retail investors, who opened over 72,000 new Individual Investment Accounts (IIAs) since the end of Q1 2018. As a result, the total number of IIAs surpassed 400,000 this month.

Now I would like to give a more detailed update on the UCP. On 21 May 2018, we launched the cross-margining bridge between spot trading and derivatives market. This marked the completion of the UCP project. Now we see that the UCP take-up is gradually growing. All markets are involved in the UCP trading. There are no laggards.

29 participants have joined to date. Their total trading volume generated via both single-market accounts and UCP accounts represents more than 50% of total fees and commissions. In other words, these 29 participants make up a meaningful set of clients. The percentage of F&C generated through UCP accounts is still modest at 6% but is growing. I would like to underline that the UCP itself is a complex technology. Our clients need some time to size it up, include it in their IT systems and start making full use of it.

We can see at this point that early adopters of the UCP are market participants active in the FX Market, particularly in FX swaps. FX swaps make up a larger proportion of trading from UCP accounts than they do overall. It is also natural that early adopters are professional market participants interested in maximizing trading with the least possible amount of collateral. Their share of the total client balances is somewhat lower than the corresponding share of the total fee and commission income. One should not confuse this effect with the collateral downsizing triggered by the UCP. We expect trading via the UCP to continue increasing and the product mix moving more in line with that of the total. Once the alignment happens, a more comprehensive discussion of the UCP will be possible. In other words, clients need to finish testing and start using the UCP to a complete extent.

Now, let us turn to the topic of global products and the concept of a developed ecosystem for their trading. It is our ambition to give local investors access to international securities and derivative contracts on global benchmarks using the MOEX platform. One of the first projects delivered in this respect is the launch of futures contracts on Brent ten years ago. Now, ten years later, it is clear that the product has been a huge success to us. This April, we introduced a futures contract on another oil benchmark, Light Sweet Crude. The three-month performance of this instrument was at least as convincing as the early track record of our previous instrument Brent. The ADTV of this new instrument grew more than 6-fold since the month of launch.

Another product launched in Q2 2018 was a futures contract on the Solactive US Large Cap Index, or US500. This product gives Russian investors an opportunity to diversify exposure and manage FX allocation of their portfolios. The ADTV doubled over three months. In May, we added ten international stocks to the list of securities eligible for repo with the CCP. 1-day equivalent trading volumes since the launch amount to a little more than 100 mln rubles. This is not yet a large amount by our Money Market standards, however, this addition grants market participants more flexibility. The list of accepted foreign securities will expand in the future. Later this year, we will launch trading of 50 international stocks in the Equities Market to provide a comprehensive service for our retail clients.

Now let us move on to our financials. In Q2 2018, operating income increased 3.7% YoY. Fees and commissions were up by 16.7% YoY and set a new all-time quarterly record. Net interest and finance income (NII) declined by 13.2% YoY. However, putting aside realized gains/losses on the investment portfolio, NII actually improved by 4.1% QoQ and remained broadly flat YoY. As a result, the growth of fee income more than offset the contraction of interest income, which and resulted in growing total operating income.

Operating expenses added 9.0% YoY but fell by 0.7% QoQ. Excluding the effect of the amortisation schedule change that took place at the beginning of 2018, OPEX was actually up by only 6.3% YoY.

EBITDA and net income for Q1 and Q2 2018 were adjusted for a number of changes that occurred this year. These changes could not have been reliably forecasted. Hence, we felt the need to present normalized numbers. I would also like to underline that all the Q2 adjustments represent non-cash items.

First, the numbers were adjusted for movement in allowance for expected credit losses under the IFRS 9 standard. This movement increased reported net income in Q2 2018 by 90 mln rubles and EBITDA by 113 mln rubles. We subtract these to arrive at normalized numbers. The difference between the two was the deferred tax component. To recap, a similar adjustment of RUB 20 mln was applied to net income in Q1 2018.

Second, amortization schedules for some intangible assets changed at the beginning of the year. We mentioned this during the previous call. As a result, the quarterly amortization expenses increased by around RUB 85 mln. We added this expense back to the net income line without the deferred tax component. Third, we restore a one-off expense related to legal proceedings. In Q2 2018, MOEX recognized a one-off legal provision in the amount of RUB 873 mln. It is a non-cash expense. There was no cash outflow. The provision covers 100% of the amount claimed by the plaintiff. However, litigation continues as MOEX has filed a cassation. The Central Bank of Russia has joined the case on our side. We are fully confident in our legal position.

Finally, we made adjustments to subtract deferred tax gains that arose from provisions made in Q1 and Q2 2018. We are also working on recovery of funds related to the Q1 2018 provision.

Now that we have outlined the nature of the adjustments, let us return to our financials. Adjusted EBITDA grew by 1% YoY. The adjusted EBITDA margin was at a strong 72.7%, in line with the historical values. Adjusted net income added 1.3% YoY and 3.5% QoQ.

Total fee and commission income increased by 16.7% YoY and 7.7% QoQ to reach a new all-time record. We saw growth of fees and commissions on all trading markets with no exceptions. Fees from the Money, Derivatives and Equity Markets rose the most in both absolute and percentage terms. Favorable changes to the product mix enhanced the fee growth. These were shifts to higher margin repo with the CCP, commodity derivatives, spot FX and equities. Such a development is in line with our strategy to encourage more trading in higher margin instruments and on higher-fee markets.

Money Market fees and commissions increased by 24.6% YoY, while trading volumes grew by 1.1% YoY. The latter occurred on the back of growing volumes in CCP repo, inclusive of GCC. The effective fee on the Money Market was supported by a longer average term of repo. It increased from 2.7 days in Q2 2017 to 3.1 days in Q2 2018. Other positive factors were sustained growth in the market share of the CCP repos as well as lower market concentration. Accruals from long-term repo deals contributed as well.

I should point out that long-term repo deals of past periods have mostly expired by now. The rollover is possible, but likely for shorter terms. Therefore, the contribution of related IFRS accruals will be significantly smaller in magnitude.

Fee and commission income from Depository and Settlement Services increased by 9.8% YoY. The growth driver was a 21.2% increase in assets on deposit. Double-digit growth in assets on deposit was observed across all assets classes. Fees from repo with collateral management services through NSD declined due to lower volumes. This acted as a constraining factor on the fee growth at the NSD. There were no other major factors as pricing remained unchanged.

Aggregate trading volumes on the FX Market remained flat YoY. However, swap trading volumes declined by 5.9% YoY and spot trading increased by 22.2% YoY on the back of higher FX volatility. Fees and commissions increased by 8.3% YoY on the back of higher trading volumes and higher share of spot trading. Let me remind you that the effective fee on spot is higher than that on swap. It is interesting to note that the EUR/RUB pair showed impressive growth during the quarter, particularly in the spot segment. The quarter also saw the growth in trading of other currency pairs, such as CNY/RUB. We observed a sizeable increase in individual investors' interest in FX. Both the number of registered retail clients and active retail clients has grown by 32% since the start of the second quarter. This was due to the activity of several large brokers.

At the beginning of August, the company completed a launch of the new technological platform on the FX Market. The platform separates trading and clearing. It offers improved reliability, scalability and performance. Specifically, we will be able to launch new products faster. Later this year we will be launching eight new currency pairs that will include the USD on one side. On top of that, in a number of existing currency pairs, we will start trading in a new regime.

Derivatives Market. Fees and commissions on the Derivatives Market increased by 27.4% YoY to a record high, while trading volumes went up by 5.8% YoY. A noticeable product mix improvement supported the average fee. In particular, trading volumes of FX and index derivatives declined. At the same time, trading volumes of single stocks and commodity derivatives accelerated. Option trading volumes declined by 6.5%, but this was mainly due to the index options. Higher-margin commodity options showed impressive growth of 112% YoY. The mix improvement boosted the effective fee. It explains the discrepancy in growth rates of fees and commissions versus trading volumes.

I have already mentioned the launch of derivative contracts on Light Sweet Crude Oil and the US 500 index. This fall we will be introducing another set of new contracts. First, there will be several contracts on non-ferrous metals, such as zinc, aluminium, copper and nickel. Second, we are going to launch deliverable futures on gold. We will also continue to develop FX and interest rate derivatives, including ones on our own benchmarks.

A launch of sponsored market access (SMA) on the Derivatives Market is also scheduled for this fall. SMA will target new institutional participants, although we see interest from our existing participants as well.

Fixed Income Market. Fee and commission income increased by 9.8% YoY. It happened on the back of trading volume growth of 18.9%. Placements excluding overnight bonds increased by 64% due to the active participation of the Government and the CBR.

There were two reasons behind the discrepancy between growth rates in trading volumes and fees. The first was the higher share of government and central bank bonds in placements. These placements happen via a lower cost tariff plan compared to corporates. The second reason was the emergence of shorter-term bonds – both corporate and the CBR's.

IT services and listings. Listing fees declined 30% YoY reflecting an increase in the average size of bond issues. Sales of data and information services were virtually flat YoY. Sales of technical services increased by 6.7% YoY. Other fees and commissions, a line that includes income from the Commodities Market, grew five-fold YoY.

Trading volumes on the Equities Market increased 23.7% YoY. The driving factors behind this growth were a 2 percentage points increase in velocity and higher market levels. The average value of the MOEX Russia Index advanced by 17% YoY. Importantly, the index remained at local highs through the end of the dividend season. It points towards equities' market support and the likely reinvestment of dividends. MOEX's market share in dual-listed stocks versus the LSE increased to a solid 63%. The share accounted for by foreign investors in trading volumes did not change, despite an increase in volumes. The growth of volumes stemming from the abovementioned factors helped achieve record fees, which rose 34% YoY.

Interest income. Net interest and finance income declined 13% YoY. However, aside from realized gains or losses on the investment portfolio revaluation, NII actually remained broadly flat YoY and improved by 4% QoQ. The investment portfolio was 8.5% lower YoY, yet QoQ it increased by 11.7%. The oppositely directed moves in key rates on RUB and USD had corresponding effects on our interest income that partially mitigated each other.

OPEX for Q2 2018 were up by 9% YoY. Personnel expenses added just 3.3% YoY. D&A and IT maintenance costs advanced by 12.6% YoY. I would like to remind you that there were some changes to amortization schedules of intangible assets at the beginning of 2018. We covered this topic earlier in the presentation. Adjusted for this change in the amortization schedule, D&A and IT maintenance costs were up only 4.1% YoY. Total OPEX adjusted for the same item increased by 6.3% YoY. The proxy for cash OPEX – i.e. excluding D&A expenses – was up 7.2% YoY.

Another expense item I would like to comment on is our grain storage costs. It falls into the professional services category. We witnessed substantially accelerated activity on the Grain Market, particularly in grain swaps. This business was in its infancy back in Q2 2017. Hence, we consider the comparison as non-meaningful due to the low base effect. Grain storage costs are passed on to clients with a margin. Therefore, there is an offsetting revenue component in the other fees and commissions line. I would like to draw your attention to the fact that the commodity market for grain grew nearly ten-fold YoY.

Remaining administrative expenses increased by 11.8% YoY on the back of costs associated with the development of new projects. OPEX growth for the 1H 2018 was 8.2% YoY, which nicely fits within the guidance range of 7–9% YoY. We stick to the original guidance and we are not updating it today.

Now let me make some concluding remarks. During Q2 2018, we observed strong performance across all core business lines. Recurring net interest income stabilised, and costs were under control. This sums up my presentation, and we can now carry on with your questions.

Operator

Ladies and gentlemen, we will now begin the Q&A session. If you wish to ask a question, please press "*1" on your telephone keypad and wait for the automated message advising your line is open. Please then state your first and last name and your company before you ask your question. If you wish to cancel your request, please press "*2". We will now take our first question. Please, go ahead. Your line is now open.

Andrzej Nowaczek – HSBC

Good evening. Thank you for the presentation. Allow me to ask the question that was asked last quarter: how do you see the one-offs in your accounts. You have one in Q1 and another in Q2. When it comes to your dividend plans, in other words, if you think of dividends as a payout from earnings, will you add back the RUB 1.7 bln to profit?

Max Lapin – CFO

Let me tackle it from the point of the dividend policy. The dividend policy claims for the minimum 55% payout of the net income for the year. In terms of interim dividends, which we introduced last year, the Board is expected to review the dividend question at the coming meeting this September. For now, we have no additional data and need to wait for the Supervisory Board to make the decision.

Operator

Thank you. We will now take our next question. Please go ahead. Your line is open.

Elena Tsareva – BCS

My question is in light of the rouble rates potential increase and current increase. Is there any sensitivity to NII or rouble balances?

Max Lapin – CFO

Thank you, a good question. During the Q1 and Q2 2018, we observed that the decline in rouble rate was almost over – the rouble rates have been relatively flat for the past months. With the interest rate in US dollars, they have been offsetting one another. In terms of impact on the NII, the euro and the US dollar offset approximately one third to one half of the decline in rouble rates. Does this answer your question?

Elena Tsareva – BCS

Yes, thank you. Just a small question on OPEX, please. What is the share of FX in OPEX? Can the current devaluation change it somehow? Though you have your guidance, what is the impact from devaluation on your OPEX dynamics?

Max Lapin – CFO

That is a good question. In regards to OPEX and the composition by currency, approximately 10% of OPEX is directly sensitive to the US dollar rates. But in terms of CAPEX – the questions that you might have implied – the share of US dollars in CAPEX is much higher and, probably vice versa, 90% of CAPEX is sensitive to the US dollar rates. The reason is that OPEX is mainly our headcount expenses while CAPEX is more like imported equipment.

Elena Tsareva – BCS

Will your CAPEX expectations change because of devaluation?

Max Lapin – CFO

The exchange rates have not changed dramatically – around 10% in the past month. With regards to the budgeted number, we expected a weaker RUB. The average for the year will be relatively in line with our budgeted number. Therefore, we will not review our CAPEX guidance that has previously stood at RUB 2.0–2.2 bn for the year. Thank you.

Operator

Thank you. We will now take our next question. Please, go ahead. Your line is open.

Svetlana Aslanova – VTB Capital

Hello, I have two follow-up questions. First, on your OPEX guidance, on staff costs. You showed a pretty impressive – only 3% YoY – increase in staff costs in Q2 2018. Shall we expect this as a run rate inflation for your staff costs for the full year? The second question is on dividends. We are now trying to assume potential interim dividends. Are there any restrictions or requirements from the regulator or whatever that will restrict dividends payments for 1H 2018? Thank you.

Max Lapin – CFO

Thank you, Svetlana. With regard to a 3.3% increase in OPEX in Q2 2018, there are two factors to consider going forward. There was partial recovery of a bonus reserve that declined the growth. We had reserved a little more for the bonus than it actually was, so the recovery brought the figures slightly downwards. On the other hand, we are looking into the development of new projects, namely the marketplace project, that might increase our headcount by ca. 1–2%. So with these two factors in mind, I would expect a slightly higher figure for 2H 2018.

With regard to the dividends, that is a brilliant question. We have a “clearing bank” and a “depository bank”. Both banks are sufficiently capitalized. The one-off reserve we are taking will not get the capital adequacy ratios of the clearing bank below the thresholds, so there are no limitations with regard to the capital adequacy. Thank you.

Operator

Thank you. We will now take our next question. Please go ahead, your line is open.

Andrew Keeley – Sberbank CIB

A couple of questions. On the one-off provision in Q2 2018. Given that there have already been two judgements in favour of the defaulted company or the bankruptcy manager, do you think there is much chance that you will actually overturn these judgements? Do they pose any kind of risk of similar claims in the future from defaulted participants, in terms of precedent set by these judgements.

Max Lapin – CFO

Thank you, Andrew. Good question. In terms of overturning or recovery. The Q1 provisions were already in the proceedings to legally recover part of the reserve we made back then. As for the Q2, we have already filed a cassation. We had not had any outbound cash off the balance sheet. This matter is still being disputed. We filed the cassation and, if necessary, we will take it to the Supreme Court. It is a very important matter for us. With regard to similar claims or events: if we go back to Q1 2018, there had been a technical operation error on our side, and its recurrence in precluded because we made internal technical and procedural adjustments to the process of default management. As for the legal proceedings in Q2, we also reviewed the overall potential of similar risk exposure, and in the worst case, the overall exposure is several times smaller than the existing claim.

Andrew Keeley – Sberbank CIB

The second question I have is on the UCP take-up. Now we are at 29 participants that account for 50% of total fee and commission revenue, but so far the share of UCP accounts is around 6%. Can you give any sense of whether you see the next phase of the UCP roll-out as being completed, with the first tariff hike? Do you see any acceleration in the take-up or the acceleration in the share of fee and commission income you expect to come from UCP accounts? Their number has been pretty stable from the end of Q2. Do you feel that all the participants that were likely to sign-up have already done so, or do you expect that number to increase? Thank you.

Max Lapin – CFO

Very good question, thank you. In terms of the adoption numbers, we are happy to see the market leaders migrate to the best technology and make use of it. We would not expect all professional market participants to eventually be on the UCP, but the majority of them would at some stage be there. With regards to adoption, it is certainly not an easy project. We expect that the next price hike that will be universal across all participants whether they use UCP or not, will stimulate the migration.

In terms of impact on the volumes, many investors and analysts have asked me to provide figures that illustrate how the behavior of market participants changes in terms of trading volumes when they migrate to the UCP. I now have the stats. I promised I would have these numbers after the adoption of the technology, and now I do. If we compare the two cohorts of clients, those who use the UCP and those who have not migrated yet, the UCP accounts show higher volumes of trading than the other cohort, with an increase in the mid teens in terms of percentage points. That is a sizeable increase.

In terms of impact on collateral balances, it is also happening in line with our previous projections. The bulk of impact falls on the FX accounts and FX-denominated collateral, and the decline in the collateral amounts of the migrating cohort is precisely within the range that we have talked about before, that is 10–15% compared to the non-migrating cohort. But the difference between the two cohorts of clients is statistically meaningful and I kind of like it. The net effect of the project already seems to be in the positive territory even before the universal price hike. Once the universal price hike goes into effect, we expect even more robust economics for this project. I hope this answers your question.

Andrew Keeley – Sberbank CIB

Yes, that is very helpful, thank you. These are some useful numbers. Just one quick follow-up. You said that, in terms of the balances that you are seeing, you expect the majority of the decline on the FX accounts, some 10%–15%. Are you seeing any decline on the rouble side of things, the rouble accounts?

Max Lapin – CFO

Not much so far. But when we are talking about the number of accounts migrated, statistically they are more reliable in bulk. So I can talk about FX, which is the majority of our collateral. There the impact is noticeable, while in roubles it is not yet statistically meaningfully noticeable.

Andrew Keeley – Sberbank CIB

OK, thank you.

Operator

Thank you. As a reminder, ladies and gentlemen, it is “*1” if you do wish to ask questions today. And we will now take your next question. Please go ahead, your line is open.

Robert Bonte – BlueCrest

Hi, this is Robert Bonte-Friedheim from BlueCrest Capital. Thanks for taking the question. I have a quick question on derivatives. You had by far the highest quarter in your history in the derivatives fee income. I am just wondering how we could model, going forward, the derivatives fee income off the volume data that we get every month. How would you suggest that we do that? Apologies for the background noise.

Max Lapin – CFO

Thank you, Robert. The Derivatives Market consists of five business lines. The effective commissions between these business lines vary by 3 to 5 times, depending on the market. What has been happening in the last quarter is that single stock derivatives and commodity derivatives, which are the most expensive of them all, are on the rise. That is why the mix improvement affected positively the revenue improvement. The other thing on the modelling is that derivatives, especially the currency derivatives, are sensitive to the volatility of the underlying currency, and the volatility spiked.

Similar thing happened with the volatility of the index, which has also been relatively healthy. I was looking into the derivative models by breaking them down in lines, attributing different commission levels for every line and linking the volatility, the FX derivatives, to the volatility of the underlying currency pair. It is pretty much similar to how the FX market works itself. The FX spot volumes are also a function of the volatility of, say, the RUB/USD or the RUB/EUR pairs. Thank you.

Robert Bonte – BlueCrest

OK, and following up on that, a different question on: what are you seeing so far this month in terms of the volumes? I guess the big question is always the size of the volumes. One is volumes and two is the fee mix. How do you see the fee mix developing this quarter compared to last quarter and last year?

Max Lapin – CFO

Going back a little. July was good, it was a strong month. August is going to be a good month as well. So, I would be expecting good numbers. In terms of the mix, I would say that equities have been doing good this year, the durations in the repo market have been pretty fine, the FX volatility remains high, the exchange rate, the rouble has weakened somewhat, which also helps FX revenues. These are the factors that are happening now, as we speak.

Robert Bonte – BlueCrest

Got you. Thank you very much.

Max Lapin – CFO

Thank you.

Operator

Thank you, and we will take our next question. Please go ahead, your line is now open.

Andrey Pavlov-Rusinov – Goldman Sachs

Good afternoon, this is Andrey Pavlov-Rusinov from Goldman Sachs. Thanks a lot for the presentation. I have just one follow-up question on your Money Market yields. You mentioned that some of your longer-term Money Market deals are expiring. I just want to understand whether they are expiring starting Q3 or they have already fully expired in the beginning of Q2, whether the revenue yield should be flat from Q2 or there will be some further decline in the revenue in Q3?

Anton Terentiev – Director of IR

Andrey, let me take that question. The thing is that those deals that originated back last year were not all one-year long. Some of them expired in Q1, some did so in Q2, and the last ones from the package actually expire in Q3. As for further contribution from these deals, the understanding is that these deals might get rolled over, but they will not be long. So these deals might be prolonged as one-month or three-month deals, and they will be continually rolled over like that. From this it follows that we might not be seeing substantial accruals from IFRS adjustments relating to long-term deals, but these deals will be still with us, and we will still be making fees, but this particular component of IFRS accruals will be not as significant as it used to be, it will be much less significant.

Andrey Pavlov-Rusinov – Goldman Sachs

Sure.

Max Lapin – CFO

If I may, there are two sides of the question. Let me provide a good example. If you go a year back to last August, multiple long-term deals occurred in August. These were reflected in monthly volume numbers, so you have seen them as a volume factor. But once we are entering a year-long repo deal, it is financially recognized as the days pass by, therefore some of that effect would be reflected throughout that year. That was the period when we were exploring year-long repos as a technical possibility and in terms of interest from the client.

Nowadays, clients are mostly looking for somewhat shorter deals and they are overlapping, so the overall amount of activities in repos is not declining, but it has been split in smaller chunks. The other thing, the other factor that is not so easily visible on the accounts, but it is meaningful in terms of repos with the central counterparty - what happened on 1 June is that we revised the tariff for corporate deposits in the repo section. By revising tariffs I mean that there was a promotional period, almost a year-long promotional period, and now the tariffs have increased almost two-fold for the repo deposits with the corporates. So it is not only a matter of volume increase, but there will be also a meaningful price factor going forward.

Andrey Pavlov-Rusinov – Goldman Sachs

Thank you, that is pretty helpful. And if I may, just another small follow-up question. My line was a bit patchy, maybe I did not get part of your previous answer to Andrew's question about what is happening with the provisions you booked in Q1. I think you mentioned that you had recovered part of that. Is that correct? If that is the case, what part could be recovered further?

Max Lapin – CFO

No, I did not say that. I said that we entered legal procedures to run the recovery. As for the amount of the recovery for the Q1 provisions, I cannot vouch for any number so far.

Andrey Pavlov-Rusinov – Goldman Sachs

OK, that is clear. Thanks a lot.

Max Lapin – CFO

Thank you.

Operator

Thank you, we have no further questions at this time. Please continue.

Anton Terentiev – Director of IR

I think we can wait for a couple of more minutes. I encourage everybody to arrive with a few more questions. We will be around and waiting for a few more.

Operator

Once again ladies and gentlemen, please press "*1" if you do wish to ask a question today. You can press "*2" to cancel that request. Once again, it is "*1", if you have a question.

We currently have no requests at this time.

Anton Terentiev – Director of IR

Alright, ladies and gentlemen, then we conclude our conference call. Should there be any further questions, we would be happy to answer them. Thank you for your comprehensive questions and thank you for staying with us today. I think we can conclude our conference call with this. I hope to see every single one of you during our next release of the Q3 results coming up in November this year. Thank you very much everybody and stay in touch.

Max Lapin – CFO

Thank you.