CREDIT BANK OF MOSCOW

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Operator: Ladies and gentlemen, thank you for standing by, and welcome to the CREDIT BANK OF MOSCOW's First Quarter 2014 Financial and Business Results conference call on the 16th of June 2014.

Throughout today's recorded presentation, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. If any participant has difficulty hearing the presentation, please press the "*", followed by the "0" on your telephone for Operator assistance.

I will now hand the conference over to Vladimir Chubar. Please go ahead, sir.

Vladimir Chubar: Thank you. Good afternoon, ladies and gentlemen, and thank you for joining us for 2014 first quarter results announcement call of CREDIT BANK OF MOSCOW.

My name is Vladimir Chubar, and I'm CEO of the Bank, and today I will host the conference call together with our CFO Eric de Beauchamp.

In the preamble, before turning to details of the solid performance we managed to achieve from the year start, I would like to say a few words about the current macro environment and recent performance of the Russian banking sector.

In general, Russian economy and the banking sector are going through quite tough times, with the growth projections for both having been downgraded a few times recently.

Slowing down consumption levels observed starting from the last year and further triggered by the regulatory interventions, higher inflation and slower loan issuance, uncertainty around Russia-Ukraine relations driving Western sanctions and fall in foreign investments, fierce competition in the banking sector, from the state banks in particular, growing funding costs, compressing margins, growing capital pressure on some of the banks - all these factors build up the current harsh environment and form the trends of the further development. The current key focus of the banking community remains on the margin outlooks, asset quality trends and capital position, while liquidity is somewhat less of an issue.

As far as CREDIT BANK OF MOSCOW is concerned, the current key focus of our business is robust risk management and further strict following to the adopted strategy, which has already proved its efficiency and resilience to the market shocks. It's worth mentioning that CBM should not be considered just as a Russian bank with relevant macro factors affecting our business to the same extent as our peers. Due to our concentration in Moscow and Moscow region, we are less exposed to the Russian market instability. At the same time, significant part of our business is exposed to the Russian consumer sector, which, though currently being under pressure due to the above mentioned factors, is still expected to further outstrip the rest economic sectors' growth.

That said, I suggest moving on to our webcast presentation and having a closer look at our business results in the reporting period. And after that, I will turn the floor to Eric who will give you a brief update on the financial results.

Slide number 4 picks some highlights of our current business and financial positions, which have been strongly retained and developed.

- We are one of the largest Russian banks, being in top-15 list by assets, and also we hold a top-5 position amongst privately owned banks.

- Our client base is continuously expanding, both on the retail and the corporate side.

- Cash handled volumes are growing as well, and at the same time evidencing still increasing consumption volumes in the Moscow Area.

- We are also honored to have won award "Bank of the Year" from banking information portal Banki.ru, which highly rewards our efforts in achieving the key strategic ambition of becoming one of the top most efficient and reliable private banks providing full range of high quality services to our customers.

Turning to the next slide, number 5, I would like to highlight our key performance metrics and achievements up to date.

- Our net income increased by 10% year-over-year to RUB1.9 bn, delivering ROE of around 15% and ROA of 1.7%. Net interest margin is 4.8%. Lower profitability metrics versus previous reporting periods stem from conservative liquidity policy of the Bank against the backdrop of volatile economic environment, which is reflected in higher input of more liquid and lower-yield assets on the balance sheet. At the same time, we have reviewed our approach to client selection both in corporate and retail businesses in terms of conservative risk-based pricing due to macroeconomic instability. And as a result we expect our NIM to be increased already in the second quarter.

- Once again proving the Bank's growth strategy effectiveness, cost-to-income ratio reached 33.0% down from 34.8% for the first quarter of last year.

- Asset growth has slowed down to 2.1% from the year start in line with the sluggish growth of the Russian economy, which we currently observe, with the loan book expanding by 4.8% and asset quality metrics maintained relatively healthy, despite slight deterioration.

- Following our strategy to increase the share of our retail business, we were able to grow our retail loan book by almost 10%, standing now at 32.2% of our total loan book, compared to 30.8% as at the year-end. We continue to outperform the market average pace of growth, but certainly in more balanced and low-risk customer base.

- Positions of the Bank in the debt capital markets in 1Q2014 were strengthened with a successful syndicated loan transaction. I would like to emphasize that CREDIT BANK OF MOSCOW has become the first (and almost the only) Russian financial institution to sign a syndicated loan agreement in 2014, putting in place a facility for 500 million US Dollars with a group of 18 high-quality lenders from 11 countries across Europe, North America, and Asia. Successful completion of the transaction, despite unstable situation around Ukraine, was very important for us from the investor relations perspective and evidenced the high level of the long-lasting and trusted relationships that we have with our foreign partners. We were also pleased that our borrower profile continued to improve, as reflected in lower cost of borrowing and longer tenors.

- In June 2014 S&P affirmed our ratings at the same level, despite deteriorating economic conditions, outlook is the same - stable. The affirmation of credit ratings and the outlook reflects CBM's better than most of its peer banks' resilience to deteriorating economic conditions and rising industry risks in Russia, higher than Russian peers' capitalization, profitability and asset quality, which, according to Standard & Poor's, is expected to counterbalance risks related to the rapid growth of the Bank.

- Traditionally being committed to best international standards and practices of corporate governance at all levels, CBM and its shareholders again highlighted importance of proper governance in the business with the new key appointments made to the Supervisory Board of the Bank in March 2014: Thomas Grasse, Brendan Walsh and Bernard Sucher. Now 7 of the 12 Board members have international expertise and professional backgrounds across the financial services sector, while 5 of them are fully independent.

Now, let's turn to slide number 6, which describes recent trends in the corporate banking business of the Bank.

Corporate business remains our core business in terms of the share in total assets and in total revenues, with the corporate customer accounts also making tangible share of 35% of total liabilities as of the end of 1Q2014.

- Following our strategy, we aim at faster growth of retail business in the total loan book, as announced earlier, which by the end of 1Q2014 resulted in slight decrease of the corporate loans share to 67.8%.

- The number of our corporate customers keeps increasing with the focus still being on retailers and commercial trade companies with total share in the corporate loan book above 50% in a majority of economic sectors listed in the pie chart on the right. Diversification of business is also achieved via serving large public ‘blue-chip’ corporates, including state owned companies, though the largest exposures are still to the traditionally prevailing large and medium sized corporates.

- Our largest exposures are to such industries as electronics, food and farm products and residential and commercial construction and development, which are mainly consumer demand driven and are not expected to be significantly affected by the current economic slowdown, especially given our concentration in the most wealthy and turbulence-resilient region of Russia. So, it's Moscow.

- The fact that we are mostly covering working capital financing needs of our customers and, therefore, have a short-term nature of our corporate loan book, is also an important feature, especially in the current environment of rising funding costs and credit risks.

- As reflected in the slower pace of growth of our corporate loan book in the first quarter, we are now more selective in new businesses and larger exposures to existing businesses. The primary target for us in the current deteriorating economic conditions is to retain healthy loan book quality, which dictates tightening of our risk management policy.

As for one of our core competences - cash handling - we still keep our leadership in this segment among private banks, which is detailed on slide number 7.

- According to a recent research made by Interfax, our bank is number 2 by cash handling services in Moscow (after Sberbank), having reached an impressive 20% market share in this region.

- Our cash handling franchise is growing and serves over 1,000 clients, of which 41 are banks, including state-owned and largest private market players.

- It's worth mentioning that this service has traditionally played an important part in the Bank's interaction with its existing and potential corporate clients, ensuring synergy of this business with classic banking products and services offered as well as providing insight into financial standing of the customers and industry risks in general. Going forward, we plan to still put special emphasis on cash handling business and to gain larger market share, especially given significant dependence of Russia on cash settlements. An interesting indicator thereof is the fact revealed in the GIS directory research this year that even in Moscow almost 80% of retailers do not accept plastic cards and, therefore, require physical cash collection services.

Let's now move to slide number 8, which contains information on our retail banking.

- Expansion of retail lending is well underway in line with our strategy and ambition to bring the share of this business to over 40% of the total loan book in the longer term. Retail loan book pace of growth is outstripping the level of corporate loans growth and equals almost 10% in the first quarter this year.

- On the retail deposit side, with insignificant growth from the year-start, we are number 11 in terms of deposit portfolio volume in Russia - up from 12th position at the year-end. This is the evidence of success of the Bank in terms of a variety of factors, such as certain level of trust from individuals against the backdrop of massive banks' licenses withdrawal by the

CBR, level of services we provide, attractive interest rates, extensive advertising campaigns and growing brand recognition.

- In developing our retail lending business, we still focus on such high-yield products as consumer loans, and also mortgage loans, which is well illustrated on a pie chart with the loan book breakdown on this slide.

- Our strict underwriting standards and clear understanding of our key focus client groups remain unchanged aiming at cherry-picking lower-risk clients from the market, represented, in particular, by employees and partners of our corporate clients, existing client base and budget servants.

Slide number 9 demonstrates the Bank's exceptional remote distribution platform, represented not only by traditional offices network, smartly located in high traffic areas with extended hours access recognized as the most efficient branch network among Russian banks, but also by well-developed alternative remote channels, such as ATMs, payment terminals, internet and mobile banking.

- At the end of the first quarter of 2014 we had more than 700 ATMs and almost 5,500 payment terminals, which, coupled with ATMs of our partner banks, bring the total number of payment devices available to our clients under special fee terms to over 8,000 machines. This makes access of our clients to bank services easier and available in any region of Russia, despite presence of the Bank only in one region.

- Internet bank system of the Bank is recognized as the second most user-friendly, multifunctional and convenient solution among Russian banks, according to a Markswebb research.

- One of the cornerstones of our client acquisition platform is direct sales agents channel, providing access to a potential client base of 1.6 million individuals of the pre-identified quality.

If you turn to slide number 10, you will see more details on one of our most important client acquisition and risk management tools - payment terminal network. The important role of these devices in our business has been continuously repeated by us, but for those who are not well familiar with the Bank I would like to briefly mention a couple of features, such as:

- off-loading personnel in the branches;
- effective customer acquisition channel, promoting brand value of the Bank.
- And it's very important to mention that it's also a good risk management tool, enabling data mining on every second customer applying to the Bank for a loan.

Just to give you a clear picture of our market share in terms of the payment terminal network, it will be sufficient to mention that every third banking terminal you will see in Moscow area will be our payment terminal.

Now, I would like to turn the floor over to Eric, who will dwell on our financial results for the reporting period. Eric, please.

Eric de Beauchamp: Thank you, Vladimir. Good afternoon, ladies and gentlemen.

It's my pleasure to present our financial results for the first three months of this year and comment on the major trends.

I suggest turning to slide 12, where you will find details of the income and expenses dynamics.

- In 1Q2014, operating income increased by 23% up to RUB6.4 bln. with a relatively modest growth of operating expenses, by 19%, to RUB1.9 bln.

- As a result, cost-to-income ratio dynamics again evidences improved operational efficiency of the Bank reaching 33.0% down from 34.8% for the 1Q2013.

- Net fee and commission income increased by 40% year-over-year, reaching RUB1.6 bln, loan insurance contracts processing fees traditionally being the main driver for such growth in line with the active retail loan portfolio growth. Settlement operations, issued guarantees and letters of credits and cash handling services also contributed to active growth of this line item. Growth of this income source is also in line with our strategy and our heading towards larger share of this stable line item in the operating income.

- As Vladimir mentioned before, our conservative approach to liquidity management, especially against the backdrop of the economic uncertainty, resulted in a Return on Equity and Return on Assets arising at lower levels of 15% and 1.7%, respectively, and Net Interest Margin decreasing to 4.8%, still being strongest vs banking sector performance.

Turning to the assets structure of the Bank, slide 13 evidences certain slowdown in our growth rates versus previous years in line with the current economic trends and cautious risk management.

- The loan portfolio traditionally forms the major part of the asset base, namely 70%, and is a key driver for the asset growth, which is modest at a 2% level for the first quarter.

- The retail part of the loan book is developing impressively faster than the corporate one with the growth of roughly 9% versus 3%, respectively, bringing the growth rate of total net loan book to 4.6%.

Having impressive pace of asset growth in the most recent years with a compound annual growth rate of around 50%, our key focus has still been on the quality metrics, which is further evidenced on slide 14. Here you can see that non-performing loans were up to 1.6% in 1Q2014 versus 1.3% as at the end of last year due to the growth of retail business share in the loan portfolio in line with our strategy. Thus, such dynamics was initially expected by the Bank.

- The cost of risk in the first quarter increased marginally to 2.4% mainly due to retail segment. The Bank is still well positioned versus competitors in terms of its cost of risk level. At the same time, it's worth mentioning that in the first quarter there was a change-over to new risk assessment methodology in accordance with Basel standards as well as best global practices, which resulted in lower provisioning level of the corporate loans.

- Quality of the corporate segment improved marginally with NPLs standing at 0.15%, which evidences effective selection of customers by the Bank, effectiveness of cash handling business as an additional risk management tool, as well as the focus client group of the Bank of very strong credit quality.

- NPLs in the retail book are higher than in the corporate one, namely, 4.5% versus 3.9% in 2013, remaining below the market average.

- Loss provision ratio reached 3.0%, which again is mainly a result of the relative increase of the retail book share in terms of the total loan book.

- Concentration levels remained relatively flat over the indicated reporting periods. Top-10 and -20 credit risks accounted for 18% and 28% of the loan book respectively, which is a healthy level for the Russian banking system.

- Ratio of related party loans to total equity is insignificant and accounted for 1.3%, having decreased from the level of 1.8% at the end of 2013 following termination of the Bank's off-balance sheet commitment.

As for the funding structure of the Bank, I suggest turning to the graph on slide number 15.

- The main source of funding for the Bank remains client deposits, jointly representing 70% of total liabilities, split almost 50/50 between retail and corporate funds.

- Slowdown in customer deposit growth in the first quarter was a result of significant liquidity cushion formed in the end of 2013 and expected 500 million US Dollar international interbank borrowing by way of a syndicated loan, which was raised in March 2014.

- Promissory notes and bonds stably account for 21%. These borrowings serve as a stable long-term funding source for the Bank and reflect active participation of the Bank in the local and international capital markets.

- As a proof of effectiveness of our funding diversification policy, we did not apply to the CBR for borrowings and keep the available facilities in reserve, unlike our main peers.

Now, let's move to slide 16, on the Bank's capital position.

- Total capital according to Basel III standards grew by 2.4% in 1Q2014 to RUB 72.7 bln, with a capital adequacy ratio of 15.2% and Tier 1 ratio of 10.7%. It's worth mentioning that we were one of the first Russian banks to switch to Basel III capital calculation in IFRS statements, which highlights our progress versus other banks in terms of risk management and asset management.

- The Bank's net income was retained as part of the capital in the first quarter, and potentially even with only retaining the annual net income, CBM is still capable of strong further growth and development.

Now, I would like to turn the floor back to Vladimir for his strategic summary.

Vladimir Chubar: Thank you, Eric. In conclusion and before the Q&A session, I suggest turning to slide number 17, which summarizes the core pillars of our strategy, which in fact have remained unchanged.

Our adopted strategy is based on:
- First of all, our further focus on Moscow Area
- An emphasis on servicing retail and wholesale trading corporates
- And in particular expanding our retail banking business focusing on high-quality customers.

The pivot focus in implementing the mentioned strategic business directions is on quality execution as previously proved by our track record, with
- a disciplined risk management process with specialty risk management tools like cash handling and client data mining via payment terminals
- A high quality customer service
- And a centralized and cost efficient operating model.

The important supportive sources that we do have in place are
- An entrepreneurial management team
- And a focus and further development of best corporate governance standards with 5 of 12 Supervisory Board members being independent non-executive directors, as also detailed in the appendix to this presentation.

Many thanks for your time and attention at our first quarter results conference call and now we proceed to Q&A session.

Operator: Thank you, sir. If any participant would like to ask a question, please press the "*," followed by the "1" on your telephone. If you wish to cancel this request, please press the "*," followed by the "2." Your questions will be polled in the order they are received.

The first question comes from Olga Veselova, from Bank of America. Please go ahead.

Olga Veselova: Thank you. Good afternoon, gentlemen. My first question is about your Net interest margin. I understand there is a seasonality in Net interest margin dynamic, and I'm wondering to what extent you expected this minus 90 bps contraction quarter-over-quarter and what is your Net interest margin outlook for the next quarters? This is my first question.

The second is about your cost of risk outlook. When I look at the breakdown of cost of risk by segments, I understand there is a spike, or there is an increase, not really a spike of consumer cost of risk. But what really drives the increase of cost of risk in mortgages and how do you view it going forward?

And my third question is about your interbank funding. When I look at your liabilities, I see a decrease of due to the Central Bank funds, but I also see increase of deposits from credit institutions. And I understand that part of this is syndicated loan, but part of this is term deposits. If you could guide us what level of interest rate do you pay for these term deposits?

So, that's all questions from my side. Thank you.

Vladimir Chubar: Thanks for the questions. This is Vladimir. So, first of all, in terms of the Net interest margin, I cannot say that it's really only seasonal factor. As we tried to explain, the main reason for this was the Bank was over-liquid in the first quarter due to some big turbulence in December.

We really can't expect how deep can be these liquidity problems in the banking system, how deep can be this shaking of individual depositors. That's why we decided to protect the Bank in terms of having more liquidity cushion. And of course, it was impossible to place all this money with a good margin in some profitable assets. That's why I think you also saw that we finished last year with a big liquidity cushion, and a big part of this money was placed in CBR and in accounts in foreign currencies.

Of course, you know that January and February so-called almost "dead" months for the banking system in Russia, especially January. Half of the month we have holidays. That's why of course you see now a slight decrease of Net interest margin in the first quarter.

Our projection for all the year it's the same, more than 5% Net interest margin. I cannot tell you now the exact figures, but my expectation that we will come back in the second quarter to a normal level, definitely.

In terms of the second question, could you please repeat?

Olga Veselova: Yes. Your cost of risk outlook for the next quarters?

Vladimir Chubar: Cost of risk. I think I will pass to Eric.

Eric de Beauchamp: In fact, you've seen that the cost of risk on retail for the first quarter was of 6.5%, versus 5.3% share for the last year. On corporates also we saw the impact of the new methodology. The impact was around RUB200 mln. So, the cost of risk of corporates was 0.4% in the first quarter. So, we don't see an increase on the corporates, but on retail the target for the next quarter is a figure of up to 7%.

Vladimir Chubar: In terms of the new methodology in the corporate business, we're just moving with little steps to Basel II. So, we are making segments for the clients, we are making individual basis calculation of the provisions, the ratings, and so on and so on. So, that's like the small steps to final Basel II implementation. But I think we need for this of course not this year, maybe two years.

And in terms of the quality of the retail book, you heard the figures from Eric. I just want to say that of course we see some deterioration of this portfolio. Of course, the fact that we are in Moscow and our client base is better, maybe more protected from being unemployed, this is good, but we cannot say that this is absolutely a good area, there are no NPLs. Of course, we see some increase of NPLs, we see some possible problems in the portfolio. But, as Eric said, I just want to repeat, we don't see that NPLs and cost of risk will be higher than in the first quarter.

Actually, also what we did, we changed some internal procedures, we started to have even more focus on some internal customers or corporate employees than it was before. And we are absolutely sure that it will be a good impact on the quality of the book in the next part of the year.

Olga Veselova: And when did you change the procedures?

Vladimir Chubar: We actually...it's not like we just changed them three months ago or two months ago. We are doing this regularly. So, it was in the very beginning of the year, we did this maybe. But I can't tell you that it's like it was just once and that's it.

But the decision, we came to this decision that we need to change something, it was at the end of last year/beginning of this year. Of course, we needed some time to decide how and after this - implementation. Now, about three months, we are working with the new ideas.

Olga Veselova: Thank you.

Vladimir Chubar: And question number 3, could you please repeat?

Olga Veselova: It was about your interbank funding. I see that it has gone up. I understand that part of this is because of the syndicated loan and part of this is term deposits. So, I wonder how much do you pay for this type of funding?

Vladimir Chubar: Normally, it's trade finance. So, first of all, of course, it's the syndication. We described our success a little bit earlier. But after this, it's trade finance transactions. I think you know that we are quite active in this business.

Olga Veselova: All right. Okay. Thank you.

Vladimir Chubar: Thank you very much.

Operator: Thank you. The next question comes from Magdalena Stoklosa, from Morgan Stanley. Please go ahead.

Magdalena Stoklosa: Hi. Thank you very much. Good afternoon. I have a few questions, also regarding the consumer asset quality, but more from the perspective of your interpretation of what is driving the actual significant increases in cost of risk. I understand the numbers. I understand that you think the cost of risk is unlikely to increase above 7%.

But in your view, over the last 12 months, what was driving the consumer bad debts? And what do you think is going to effectively take us out of this consumer cycle that you say, at the end of this year? So, that is my first question.

My second question...

Vladimir Chubar: It's better if I start off with just question by question, because in the end we need to repeat normally all the time.

So, first of all, in terms of the reasons for this kind of deterioration of the portfolio, people started to lose their job because of macro environment, because of some companies decided to have a cost cutting. This is the first reason.

Second reason that some people started to...they cannot find any refinancing in other banks, because also they started to make their procedures more tight. There is also one of the reasons.

And I can just mention these two. All other reasons are very individual and they're not so popular for groups of people. Good to say that two products as mortgage loans and car loans, they are showing very good trends, very good results. We don't see some huge deterioration in the mortgage portfolio, which is good.

And here, of course, Moscow is helping us, that in Moscow the level of people...people don't like not to pay the mortgage loans, because they don't like to lose their apartment, their flats, and that's why they try to pay these loans first.

So, we expect that until the end of this year, maybe there will be some good steps from our government in terms of making our macro environment better and people can start to find new jobs. Actually, we see now there are some people who lost a job, for example, a half-year ago, a quarter ago, they started to pay. So, it's like just a small fall, like this.

Eric de Beauchamp: If we stick with the first quarter, I can add the following, that there is also on the cost of risk the effect that the portfolio is not growing so fast as last year. So, mechanically, of course, we have also a small increase of cost of risk due to that.

And if you compare to the other banks which already have published their IFRS accounts, we have 1.6% NPL level, which is 4.5 percent points below peers' median. And regarding the cost of risk, we have a level of 2.4%, which is in line with peers' median. So, I would say the risk figures are very good for the first quarter.

Magdalena Stoklosa: Yes. And what do you think...? Is it...? In your view, the actual improvement in the consumer cost of risk is very macro driven. Does it have anything to do with the fact that some of your portfolio will be seasoning? That some of your...that the duration of your loans is effectively quite short? Or, is it going to be a combination of all?

Vladimir Chubar: My view is it's more a combination of all, because every situation is really individual. But mostly, I can tell you it's mostly because of macro environment. Our figures are better because of Moscow concentration. But anyway, if you see the tendency in the regions in all Russia, of course the same tendency can be in our region.

Magdalena Stoklosa: Perfect. And my second question is, where do you originate loans now? When you're thinking about your new volumes, where do they come from? And where do you think there are going to continuously be a demand that you are happy to fulfill this year?

Vladimir Chubar: You mean in terms of the retail?

Magdalena Stoklosa: Both retail and corporates?

Vladimir Chubar: Corporate. In terms of the corporates, it's absolutely the same, different channels as we use now and used before. So, medium and large corporates and some big companies listed or just public companies.

So, we are not expecting to change the flow of the clients in the Bank. Yes, we decided to have a little bit more strict procedures and we started to be more aggressive in terms of the rates for the loans, and that's why some clients decided maybe not to work or they try to find some refinancing. But a lot of them are coming back, because there is a tendency in the market that the banks are increasing the rates for the loans.

In terms of the retail, as I said before, we want to concentrate as we did before on the corporate employees, existing customers. So, people which we can somehow pre-identify. So, the street channel is very, very low now. I cannot tell you the exact figure for the street channel or origination of the loans, but it is lower.

Eric de Beauchamp: And in fact, we estimated that on the...if we consider the employees of corporate customers, we still have a target client base of 1.6 million potential customers, so which is quite significant.

Vladimir Chubar: Yes, we know that this is a very good client base for all the banks, and every bank is now saying that they like to concentrate on this client base. But let's see who will win in this race.

And just my colleagues told me now that we have 14% of the origination from walk-in customers' channel. Before, it was about 20%.

Magdalena Stoklosa: Okay. Okay. That's very useful stat. Thank you very much.

And my last question is about the behavior of the market in terms of deposits. On a kind of system level, we have seen a little bit of a retail panic in the first two months of the year. Then, it kind of stabilized. But what do you see? How do you assess the deposit market, both in corporates and then in retail, in terms of growth and pricing, please?

Vladimir Chubar: What we see now, maybe I can use this word, it's a good word - it's a kind of "segregation" of the banks, because before, clients, both corporate and individual clients, they were not so active in terms of their understanding risk of every bank. And now, they started to use a lot of sources, including of course a list of CBR with the representatives, for example, of the CBR in the banks, which, for example, we also include and we have the representative of CBR in our bank.

So, for the clients, it's somehow kind of quality standard. If there is a representative of CBR in the bank, it's good. But, yes, of course it's good, but it means that not only the bank is on some list, but also some possible more requirements from CBR to the bank. So, somehow people start to think more about this.

In terms of the retail deposits, we don't see any panic now. Now, it's okay. Just people started to place its deposits as it was about half year ago.

In terms of the corporates, yes, government companies and quasi-government companies they now started to have more strict rules from the government where they can place the deposits, what can be the minimum level of the ratings for such deposits. And thanks to the rating agencies, we are fine with all these requirements. So, all the companies can place the deposits with us, what they are doing actually. And so no panic. No turbulence. People started to come back to normal work, like this.

Of course, the rates moved up. This is true. Of course, together with a key rate from CBR, they moved up for different type of deposits, from 1% to 3% higher than it was, for example, in November or December last year or even in February. But this is the reality.

Magdalena Stoklosa: Okay. Perfect. Thank you very much.

Vladimir Chubar: Thank you.

Operator: Thank you. The next question comes from Andrzej Nowaczhek, from HSBC. Please go ahead.

Andrzej Nowaczek: Thank you for the call. I had a couple of questions which were answered, but I wanted to ask a general question about the Moscow market. The Q1 was clearly difficult for banks in Russia, not so much for you though, and I suspect a lot of this has to do with your focus on the Moscow market.

But can you be more specific and tell us what exactly helped you to perform so well in Q1 relative to, say, banks with nationwide networks? Was it something about the unemployment rate, something about real income, something more complicated than this perhaps?

And also related to this question is, how do you see competition changing? Have there been any signs of increased competition in the Moscow market? Is it's true that the market in Moscow is still more attractive than on average across Russian Federation?

Thank you.

Vladimir Chubar: Thanks for the question. First of all, in terms of the competition, in Moscow market and Russian market, it started to be tougher than it was before. We see now more interest from bigger banks to our clients. Sometimes, we are lucky to keep them, sometimes, we just cannot overbid the offers, the rates, which some other banks are giving to our clients. But this is the market, this is the real competition. We are absolutely ready for this.

In general, I cannot say that we see that because of this higher competition can be some problems with our portfolio, with our client base. No. We just have to work more closely with the clients and like this.

And what was the idea of your question when you started, because I really lost it a little bit?

Andrzej Nowaczek: If one were to quantify why your performance was better than the performance of an average Russian bank, and if we were to agree that it is because of the Moscow focus, what specifically about it still applies to this thesis?

Vladimir Chubar: No, I cannot say that. For example, in the corporate business, it's not because of the Moscow focus. Because with the corporate clients, we work with a different group of clients, from different...which, for example, covered all the Russia. So, that's why it's not about Moscow focus.

I can joke that it's more about luck, because some banks faced some NPLs with the corporate clients, some no. But the reason, to be honest, to be serious, the reason for this of course risk management procedures and some maybe tough approach for these procedures which we used before and we are using now.

Of course, we have some clients in the portfolio which, for example, I think we can have some problems in the future, but it's just like my expectations, because I try to be more concerned than my colleagues. That's it.

So, I cannot say that it's just like a secret. This is something about Moscow, something about a good risk management, something about the responsibility of every manager in the Bank, like this.

Andrzej Nowaczek: I see. Thank you, Vladimir. Thank you.

Vladimir Chubar: Thank you.

Operator: Once again, if you'd like to ask a question, please press the "*", followed by the "1" on your telephone.

There appear to be no further questions. Please continue.

Vladimir Chubar: Okay. If there are no more questions, thank you very much for being with us today. And see you soon in one quarter with the second quarter results. Thank you very much.

Eric de Beauchamp: Thank you.

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