Conference Transcription

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Operator: Good day, and welcome to the Credit Bank of Moscow Full-Year 2016 Financial and Business Results Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Elena Finashina. Please go ahead, ma'am.

Elena Finashina: Thank you very much. Good afternoon, ladies and gentlemen. It is our pleasure to welcome you today at the presentation of 2016 Financial and Business Results of Credit Bank of Moscow. My name is Elena Finashina and I am in charge of Investor Relations in the bank. And my colleagues, Vladimir Chubar, CEO of the bank, and Eric de Beauchamp, Senior Vice President, will be presenting our IFRS results today.

Vladimir will start the discussion from a brief highlight of the key financial and business results of the previous year, followed by Eric, who will amplify the financial performance review. We will be happy to take your questions after presentation of the bank's result.

So now, I would like to pass the floor over to Vladimir.

Vladimir Chubar: Thank you, Elena. Good afternoon, ladies and gentlemen.

As usual, I would like to start from a couple of comments regarding the overall macroeconomic background prevailing throughout 2016 as it sets the mood for development of the Russian banking sector and CBM in particular. During 2016, we observed strengthening of economic activity in Russia with the improving oil prices and recovering industrial production. We noted stronger demand for corporate loans last year as evidenced by the loan portfolio growth dynamics and expected further gradual recovery during 2017 backed up the expected economic growth. GDP is improving also driven by growth in real incomes and therefore, consumption. International capital market demonstrated during 2016 that they are far more receptive to the Russian issuers now, and most recent transactions serve a convincing proof to the existing demand for, and growing interest to, Russian names.

On this upbeat note, let's now proceed to financial highlights overview on slide **number 2**.

We are glad to report on strong performance of the bank for 2016, evidenced by improvement of the key metrics supported by the qualitative business growth:

- Profit for the period demonstrated a sevenfold growth to almost RUB 11 billion versus RUB1.5 billion gained in 2015.

- Net interest income increased by over 37% to more than RUB40 billion.

- Net fee and commission income increased almost by 50% to more than RUB11 billion.

Net interest margin slightly declined to 3.3% on the backdrop of the Bank's cautious approach to liquidity management and focus on expansion of highly liquid assets on the balance sheet. Strong return on average equity of 11.11% for 2016 was supported by outstanding efficiency with the cost–to-income ratio of 24.6%. Gross loans to customers showed a growth of 5.8% for the period driven by expansion of the corporate loan book. Asset quality indicators evidenced healthy business growth with the NPL ratio being 2.3% for 2016, down from 5.1% in 2015. Cost-of-risk further decreased to 4.6%. Basel III Capital Adequacy Ratio stands healthy at 14.7% at the year-end –

weakened versus 2015 partly due to Tier II instruments amortisation and business expansion.

Let’s now move to business highlights on slide **number 3**.

Corporate lending remains a key driver of the loan portfolio growth with the retail loan book gradually shrinking in the line with the bank’s strategy. Corporate loan book delivered an 11% growth during 2016, mostly as a result of higher demand for funding from the existing large and medium-sized customers from the target economic sectors.

- Well-diversified loan portfolio remains one of the Bank’s strategic goals, which is well-illustrated on a pie chart on this slide. Each and any sector concentration is below 20%, with the sector strategy and the target customer profile being continuously revised in order to reflect market trends.

- Retail loan book keeps on declining due to tight selection criteria, which aims at healthy portfolio quality preservation During last year, retail loans decreased by 16% bringing the Bank’s exposure to retail business down to 15% of total loans.

- Target segments in retail lending remain in cash loans and the mortgages, which represented 71% and 24% of the total gross retail loan book respectively.

The Bank currently operates through 90 branches in the Moscow area and expansion plans target acquisition of individuals to deposit services of the Bank. Strengthening of the Bank’s franchise in the region of presence and development of alternative channels of distribution remain the Bank’s key priorities in retail business.

Now Eric will comment in details on the Bank’s financial results. Eric, please go ahead.

Eric de Beauchamp: Thank you, Vladimir and good afternoon, ladies and gentlemen. I would like to draw your attention on slide **number 4** with a detailed overview of the Bank's income and expenses dynamics.

The total operating income grew by 50% year-on-year from RUB39.2 billion in 2015 to RUB58.7 billion in 2016. The major part, 68% of operating income is represented by net interest income, which grew by 37% year-on-year to RUB40.3 billion. Finally, the bank booked positive FOREX result and revaluation of securities portfolio over the year 2016 for a total amount of RUB7.5 billion to be compared to a figure of RUB3.5 billion in 2015.

The significant part of customer on interbank deposits was placed in low-risk,highly-liquid assets such as securities and interbank placements. This was reflected in the dynamics of interest income, about 50% of the year-on-year growth (or RUB12 billion out of a total growth of RUB24 billion) was attributable to "securities" and "deposit from financial institutions".

The fee-and-commission income grew by 44% year-on-year to RUB13.4 billion. As you can see on the **bottom-left diagram**, the cash handling fees became the main component of fee income with a 19% share, which mainly resulted from the acquisition of INKAKHRAN in November 2015. Generally, commissions from cash-handling and plastic-cards represent the most stable sources of the fee-and-commission income.

On the **upper-right diagram**, operating expenses showed a moderate 35% increase year-on-year. The growth came from salaries and administrative expenses which was mainly attributable to acquisition and integration of the cash handling business of INKAKHRAN. The bank significantly expanded its core business but managed to keep operating expenses under control with a cost-to-income ratio decreased down to 24.6% for the reporting period.

Now I suggest turning to slide **<u>number 5</u>** with the breakdown of total assets.

Total assets as at the end of December 2016, we are represented by the loan portfolio with a 40% share, by liquid assets with a 58% share, including “cash-and-cash equivalents“, “due from credit institutions“ and “securities portfolio“. The year-to-date growth of total asset by 30% up to RUB1.6 trillion, was mostly due to the enlargement of the Bank’s liquidity buffer while the net-loan-book showed a moderate growth of 6%. Tightened standards in lending to individuals led to a controlled decrease of the retail loan portfolio partially offsetting positive dynamics of corporate loan portfolio.

The Bank’s primary focus remained on asset quality; therefore the accumulated strong liquidity cushion was placed in a highly-liquid, low risk instrument such as top quality securities, 74% of which are included in the Central Bank Lombard List.

Now let’s move to slide **<u>number 6</u>** on the loan portfolio quality.

As described in the **upper-left-diagram**, loan portfolio coverage by impairment allowance was increased during the course of the year 2016 and reached a maximum of 7.4% at the end of June. Then during the second half of 2016, we noted an improvement of risk metrics and this ratio positively decreased to reach a 6% level at the end of 2016.

The impairment allowance provides a comfortable coverage of NPL of 263% as the end of 2016, which is shown on the **upper-right diagram**. This ratio increased significantly after we restructured two corporate loans during the fourth quarter of 2016. NPL ratio decreased to 2.3% confirming a steady downward trend since the beginning of 2016. The cost of risk decreased from 5.4% for the full-year 2015 to 4.6% for 2016. Related party lending is still low, representing 2.8% of the total gross loan book as at the end of 2016.

Now, I suggest turning to the next slide, **<u>number 7</u>**, with a detailed overview of corporate and retail loan portfolio metrics.

On the backdrop of moderate growth of corporate loan book on the left, qualitative indicators went in positive direction in the reporting period. NPL ratio went down to 1.4% and cost of risk down to 4.3%. The NPL coverage ratio of the corporate loan book increased significantly up to 411% as previously explained.

The retail-loan-book NPL ratio stabilised at the level of 7.5% on the backdrop of loan portfolio reduction by 15% down to RUB101 billion. The cost of risk grew up to 6.5% and the NPL coverage ratio increased from 97% to 103% year-on-year. Non-performing “cash loans“ and “credit cards“ are fully covered by provision with 116% coverage ratio.

The next slide, **number 8**, illustrates the funding structure of the Bank.

Total liabilities grew by 31% during the year 2016, up to RUB1.5 trillion. Customer accounts represented the main source of funding with a 40% share in total liabilities. At the same time, deposit by credit institutions grew significantly in the reporting period, enlarging the share in total liabilities up to 26%. The funding from CBR also increased and represented a 17% share in total liabilities – the bulk of this amount being linked with REPO transactions. Bonds issued increased by RUB16 billion, up to RUB137 billion, supported by the new Eurobond issuance realised in October ’16 to diversify the Banks funding base and to access to longer tenors. Bond’s repayment schedule is well-balanced with the next international debt repayment being due in 2018.

Now let’s proceed to the final slide, **number 9**, on the Bank’s capital.

The Bank maintained a strong capital position with the following capital liquidity ratios’ levels. The IFRS Basel III Total-Capital Liquidity ratio amounted to 14.7% and Tier-I-capital ratio to 9.4% at the end of 2016. As of 1st March 2017, the Capital adequacy ratios under Russian accounting standards were far above regulatory minimum with N 1.0 ratio of 13.2% and N 1.1. and N 1.2 ratios of 7.6%. These were the main highlights of the Bank's financial and business results for the 2016 financial year. Thank you very much for your attention.

And now let's proceed to the Q&A session.

Operator: Thank you, sir. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, please press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions.

We will take our first question from Yulia di Mambro from Barclays. Please go ahead. Your line is open.

Yulia di Mambro: Hi. Thank you very much for the presentation. I have a few questions please. My first question is on the corporate deposit withdrawals that you experienced in Q4. Was this one of your top three depositors and what currency was the withdrawal in? And also if you could give us an update on what your customer deposit concentration is now and what percentage of your total deposits do the top three depositors account for. That's my first question.

Vladimir Chubar: Okay. As I understood, the question was about the decrease of deposit. Look now, some of the deposits were in dollars, some of the deposits were in Russian roubles. Currently, we have inflow of deposits from our top five depositors in February and March, so if you want to you can see Russian account and a Russian report by CBR. So now, the situation is almost the same as it was before the New Year.

In terms of the concentration, now, it's also almost the same that it was on the last call. So a top-three top-five depositors still remain but they keep the majority in our deposit book, in our corporate deposit book. Thank you.

Yulia di Mambro: Okay. And can I just clarify, so when you say that the deposit situation back to what it was, aiming back to the Q3 level under IFRS, so all of the withdrawals reverse?

Vladimir Chubar: In terms of the volumes, yeah, we almost came back to the same amount as what you've seen in Q3.

Yulia di Mambro: Okay, thanks. And then, I guess, as far as the rest of you funding stock is concerned, does that mean that you've now repaid the money that you borrowed from the CBR?

Vladimir Chubar: Currently, as far as you know, we have two banks now in the group. In terms of Credit Bank of Moscow, we have almost zero debt to CBR. In terms of the SKS Bank, which is also in the group, we have more than $2 billion debt to CBR in a form of repo.

Yulia di Mambro: Understood, thank you. And this – so there's $2 billion. This is just new CBR funding that we're seeing in your balance sheet as of Q4? Is that correct?

Vladimir Chubar: Yes, that's correct. This is the balance sheet of our second bank in the group, SKS Bank.

Yulia di Mambro: And why did they decide to borrow from the CBR in Q4?

Vladimir Chubar: Because there was request from the number of market institutions to have a repo transaction with good Eurobonds. And when they came to us, we decided that it can be also part of the business line of the SKS Bank to make such a transaction. And, of course, one of the best sources is currently in terms of the price and volume is CBR.

Yulia di Mambro: Okay. Thank you. So if I look at the – your other sources of funding on the liability side, so it is seen that even though your current deposit have returned to your Q3 level, everything else is more or less unchanged as it was at the Q4 level, so you didn't repay any of interbank borrowing and CBR funding line still there?

Vladimir Chubar: No. Currently, if I'm talking about the current time, repaid from the balance sheet of CBM, we repaid to CBR and we've decreased volume of the borrowing from the interbank and the repo market. And, in general, there is no other major changes, unless as we made a eurobond in October-November , so there was kind of increase in this funding.

Yulia di Mambro: Understood. Thank you. And just out of curiosity, so why did you decide to borrow in the interbank market than from the CBR to meet these withdrawals instead of using your liquid assets which are very substantial?

Vladimir Chubar: The majority of these liquid assets is repo operations which have a bit longer tenor, so that's why we took this money from the interbank market. So it's quite a simple strategy. And then for us, of course, it's still a positive margin. And, of course, if I'm talking about market operations, about repo, about interbank market, of course, the margin there has a bit lower than if I'm talking about corporate lending or other sources of placing money. So that's why maybe somebody wants to ask a question about the net interest margin decrease, the reason is very simple. So we became more active player on interbank and repo markets. So that's why the margin just went down a bit.

Yulia di Mambro: Okay, thank you. And just on your asset side, what percentage of your gross loans are relatively short term repo transactions and could be unwound quickly if needed?

Vladimir Chubar: Are you talking about the loan book?

Yulia di Mambro: Yeah. The loan book.

Vladimir Chubar: So, the question is really not simple because we need to have more certainty in terms of what do you mean by short tenors or longer tenors. Because, for example, if you're talking about one month or two months, of course, the majority of the loan in a corporate sector, they are longer that this tenor. But, still the majority of the loan book in a corporate segment is shorter than one year.

Yulia di Mambro: Okay. Thank you, and I just have two more questions. Sorry, and I hope somebody else is asking questions. So just on your capital ratios, could you please give us an update on your plan capital raising, which I think was up to 12 billion rubles, if I'm not mistaken, and what are your targets for the full-year 2017 for your capital ratios?

Vladimir Chubar: If I just mean there is potential shares placement, we have registered shares which can be placed in the nearest future. You are right. It's about 13 billion rubles if you just use the current report on Moscow exchange.

Of course, we did it not just to have the registration of the shares. We plan to have this issue but we are not sure about timing. So we're just waiting for some good opportunity in the market. It can be in a month or two, three, five months. No one knows.

In terms of other opportunities, we also think that it can be a good year for maybe due to issues, so why not? We think that current market situation when we see that it's really good demand for the Russian debt from the international investors, we are, all the time, trying to use all the market opportunities for this.

In terms of our targets for capital adequacy ratios, of course, we want to keep them on the same level now, or maybe even low – a bit lower or a bit higher. So that's why, currently, we feel ourselves quite comfortable. So it can be even a bit lower if we're just talking about overall capital adequacy ratios. About these that were talking about IFRS we feel also a bit more comfortable comparing to Russian standards because, you know, that they're a bit more tough if we're talking about the CBR requirements, so that's why we decided to maybe have some shares placement in the future.

Yulia di Mambro: Okay, and so thanks. And my final question is on your asset quality. So there was a great big reduction in NPLs in Q4. So it looks like asset quality is improving. Could you tell us a bit how that reduction was achieved, was it a write-off or reclassification? And I also notice that even though your NPL has decreased, if I look at your total impaired loans, including loans that are not past due but are impaired, they actually increased slightly Q-on-Q. And the increase was actually more less comparable in size as a reduction in the NPL balance. So I'm just curious to get your thoughts as to what kinds of loans on those were and then are those two movements related?

Vladimir Chubar: Look, so you are absolutely right. We have good decrease in terms of the NPL. The reason for this is very simple, we had a number of the loans to be restructured. So it's three or four borrowers. And finally, with these borrowers we came to a final decision to what kind of restructuring it should be, so we're quite comfortable because with almost all of them, we came to – my view, my personal view, very good conditions of restructuring. In a couple of them, we have good increase of the collateral. In other, we also came to a decision with the borrowers that they will pay all the interests which they didn't like to pay before. So, in my view, that is kind of good restructured loans. And it seems to me I answered to your question.

Yulia di Mambro: Yeah. And the increase in the past due but not impaired loans, it's basically these restructured loans going from NPL to performing - is that right?

Vladimir Chubar: Yeah, that's right.

Yulia di Mambro: Great, thank you very much.

Vladimir Chubar: Thank you for your question. Thank you.

Operator: Thank you. We will now take our next question from Henrique Morato from Aberdeen Asset Management. Please go ahead. Your line is open.

Henrique Morato: Hello. Thanks for taking my call. And congrats on the results. I think Yulia asked half of my questions, there's no more. So I just wanted to go back to asset quality and, obviously, they're after these, basically, impairments of which, obviously, you know, make your NPL ratio look a lot better and also make your coverage ratio look a lot better. I was trying to understand like going forward, what kind of provision charge should we expect to see on the balance sheet and how much of that will actually boost your profitability? And then as a result, what kind of coverage ratios are you targeting?

Vladimir Chubar: Thank you for the question. I will pass the floor to Eric.

Eric de Beauchamp: Hello, Henrique. Thanks for your question. So, in fact, definitely, in order to asset with the better assets, I mean, development of risks. I think we should more focus on cost risk level. So you saw that since June 2016 and we the said decreasing trend, so now, the cost of risk down to 4.6%. We see that during the first quarter of 2017 more or less is the same trend. So the target we have for this year is to be around 4% in terms cost of risk. NPL, of course, it will depend on – also on restructuring and then other of those.

Henrique Morato: Okay, thanks. And the other question I have is – I mean, on the efficiency ratio or cost-to-income ratio. Actually, quite efficient branch networking over, but I think we're reaching levels where, I mean, if I were an employee, I would be asking for a bit more money. I mean, what are you guys going to do in terms maintaining this cost to income ratio? And if you perhaps could give us some guidance for 2017, that would be great.

Vladimir Chubar: Our guidance is a bit higher than it was in 2016. So we expect it will be less than 30%, so maybe 27% or 28%. The reasons for these are quite simple. So we expect kind of – with increase of their expenditures for IT infrastructure, for also opening new branches and, of course, it will be kind of inflation in terms of the salaries. At the same time, of course, we will try to push hard the income part, and that's why maybe it will be even lower. Because our plan for the 2016 was, of course, in terms of the cost to income ratio was higher than we finally had. So we`ll try to make it even on the level of 2016 but maybe a bit increase. We will see. Thank you.

Henrique Morato: Okay, thank you. And then just one final question. I mean, in terms of capital market, obviously, you mentioned the, you know, potentially doing something about the tier 2 capital, that make sense. Potentially, in Q1 as well, I mean, we've seen like alpha doing in Q1, pretty good demand for that as well, would you consider that?

Vladimir Chubar: As I said, we like all market opportunities all the time. And, of course, the successful story of Alfa Bank in last year came also to our discussion and we also think that why not. But currently, we have no decisions yet and if there will be good market – there will be good potential demands, of course, why not? But currently, we just maybe have this in my head and maybe in head of couple of other people in the bank.

Henrique Morato: Okay, thanks. Thank you very much. Cheers.

Vladimir Chubar: Thank you. Bye.

Operator: Thank you. If you find that your question has already been answered you – or asked, you may remove yourself from the queue by pressing star 2. We will now take our next question from Dennis Poryvay from Raiffaisen bank. Please go ahead.

Dennis Poryvay: Thanks for the presentation. For our question to the previously asked regarding on your experience or this withdrawal funds from your corporate deposits, given that you are headed why didn't you allocate more funds in your liquid assets? I see note 9 and 10, almost half of your liquid assets placed on the deposits of not rated banks. And given with the speed at which CBR is withdrawing the licenses don't you think that this money could be lost from assets side. It's my first question.

Vladimir Chubar: Okay, Dennis, thank you for your question. So look, it's not the banks, we are talking more about financial institutions and it's our counter parties in the repo market. So of course, you're absolutely right, they are not rated, but it's not the banks. The majority of them is financial companies, brokers and of course, when we just work with them, first look at their financial situation, but of course, main look we made on the quality of the collateral, on the quality of the basic assets in repo transaction, but also you can see that we have noted the majority of these assets are eurobonds, and they're rated with a BBB or a minus or higher rating.

Dennis Poryvay: Okay. And the next question is regarding related party transactions, as I see a note 14, loans to customers under the control of major beneficiary, grew from RUB7 billion to RUB18 billion in the 4th quarter. Would you please elaborate what are the reasons for such loans to related parties and especially how it could be connected to the forthcoming share issues in the amount that I understood correctly 13 billion roubles.

Vladimir Chubar: Thank you for your question, so just answering from the end, there's absolutely no – connected to anyway. We can tell you that in the very end of the last year, our majority shareholder Mr. Avdeev made the transaction when his company bought the real estate company OPIN which former beneficiary was Mr. Prokhorov and OPIN was our borrower and of course, that's why, this is the only reason why we have this increase in related party lending.

Dennis Poryvay: Okay. And regarding quality of your portfolio, it's improved in the last quarter of previous year, and could you please indicate of what kind of clients or industries you provided with the restructured loans? Is it real estate, services, etc?

Vladimir Chubar: Just a second please, we will tell you. Look, first of all, it's one, an infrastructure company.

Dennis Poryvay: Is it related to state?

Vladimir Chubar: Currently, yes, 50% related. It's also one airline and also one mining company.

Dennis Poryvay: Thank you.

Operator: Thank you. We will now take our next question from Maria Gancheva from HSBC, please go ahead.

Maria Gancheva: Yes, hi, good afternoon, guys. Thank you very much for the presentation. I think all my questions were answered. Just to follow up on the issues, you've mentioned that you see possible Q2 issuances an interesting proposition for this year. I was just wondering if you could comment as well on the existing bonds that you have considering that you probably have less contribution in terms of the paper currently existing. And my second question will be surrounding the syndication loan that you're currently negotiating. I know how much you can be sharing with us at this stage, but any colour would be great. Thank you.

Vladimir Chubar: Hi, Maria. Thank you for your question. About current bonds, I didn't understand what was the question, so I'll try just to say what I understood, so if we think about current – if I think about liability management of the current Q2 sub bond, our idea if there will be some transaction kind of like this, our idea that of course, the ideal way of this will be, try to take some kind of current sub eurobond from the market and replace it with a new one. But as you know, as I said before, there's no decision made it yet, so we are looking at the market, we are thinking about this, and it will be a good opportunity, of course we will be sharing, just wait.

Maria Gancheva: Okay, yeah.

Vladimir Chubar: And the second question about the syndication, yes, there was an information at the market that we are trying to make kind of a syndication, and your question was about the potential volume or –

Maria Gancheva: Just any detail as to what you're planning to do with the syndication or the volume or even pricing if that's possible to discuss now.

Vladimir Chubar: You know, I think it's better to go to our MLAs which we are working with in terms of the conditions of the transaction potential pricing in the volumes. But I can tell you that what I see now personally, it should be our record syndication in terms of the overall volume of this transaction.

Maria Gancheva: All right, brilliant. That's okay. Thank you very much.

Vladimir Chubar: Thank you.

Operator: Thank you. Once again, if you would like to ask a question, please press *one. We will take our next question from Alan Webborn from Societe Generale, please go ahead.

Alan Webborn: Hi, good afternoon, thanks for the call. Could you talk a little bit about the opportunity to do more volume as we look ahead? And clearly, you sort of, from a very curious stance at the beginning of last year, got more confident on the corporate side of the year, went on. Clearly, this was a macro background in Russia, although not spectacular, this can be improving quite significantly in terms of the outlook, sort of the back row support and so on.

So how do you feel the sort of your big corporate clients? Do you feel there's sort of there is an opportunity to do more volume over the next year? And has told your view on retail which again, you've been very cautious on. As we see again, a turn around certainly from some of the lenders in terms of volumes, is it something that you're thinking about, you know, doing a little bit more in?

And again, especially in the context of what's been happening to your balance sheet and what's been happening to your margin towards year-end, I mean, you start for this settling down now. Do you think you can maintain the sort of level of margin that you were at year-end?

And, you know, with the Central Bank thinking about and talking about cutting rates, how do you think that's – is that a challenge for you? Is it a benefit? How do you think that thing to alter the way that you manage the business over the next 12 months with these the rate cuts start coming together? Thank you.

Vladimir Chubar: Thank you very much for you questions. I will refer from the last question about the rates. So, you know, currently, to be honest, for us, the potential change, let's say, decrease of the key rate of CBR for us is, honestly, a more challenge. Because, currently, of course, the majority of the borrowers, they look at the key rate very carefully. And every time when they see that there is a decrease or some potential decrease, they're trying to have a discussion with the banks that would like to have lower rates, we want to ask to just – if you can decrease the rate because the key rate of CBR is going down. So that's why, of course, It's not an immediate impact that all the clients come to the bank and asking for a decrease in their rate, but kind of the ways can be like for two, three or four months after this. So it's a more challenge. But at the same time, I can tell you that it's the same situation we see in terms of their deposits that also we can – with some deposits, we have floating rates linked to the key rate of CBR, so that's why we have some kind of hedge in this way. But, of course, as you know, the market of the floating rates in Russia is very young, so it's not mature at all. And there is no instrument we can use really to protect our interest rate risk. But we managed this years before last year and I think we will manage this even this year.

Your first question was answered but I forgot. If my colleague can help me. Yeah, about the corporate. Yes. My colleagues told me. So, look, I can tell you also that we see some potential demand but this demand is currently at a relatively low rate. So there is a couple of reasons for this. The reason number one, of course, is that the competition on the lending side, so the corporate borrowers is quite high now. And the second reason is that we started with this – the expectation of the decrease and of the key rate of CBR. So clients, they started to be more mature and, of course, they are trying to use this also in a discussion of the rate. So we think that this year, so – I mean, kind of 2017 growth of the corporate loan book can be in a range of 10% until 15%, which, for us, of course, kind of in line with the previous years, last year and – but not with the previous years, only last year. But as I said, on the last calls in – last calls and a couple of previous calls that we do not expect that we will be the same bank or likely have been a couple of years ago, two years, with like 50 and more than 50% growth over the loan book. Now, it's more time just to – like to be more selective in terms of the borrowers.

In the retail side – you also asked about the retail side, my retail colleagues, they – more and more pushing us just to have some growth in terms of the retail lending. They are trying to explain that the market has changed, that in Moscow area is more and more good borrowers. But also the question of the rate, because as you know, our key competitors, I mean, government banks, they are decreasing the rate for the retail borrowers every quarter almost. So there is also kind of price competition is very high and it also should be balanced.

But, honestly speaking, my internal feeling that we should make it and we even said in the very beginning of this year, we made some changes in our risk management model to make it less tough. So maybe we'll have some new changes in April or May. Thank you.

Alan Webborn: Okay. And could I just follow-up and say, you know, is the sort of the level of margin, of NIM overall that we saw at the end of Q4 is something that you think you can support going forward?

Vladimir Chubar: It's really – as I also said in my speech before that we are very dependent on our – the volume of the market operations in our balance sheet. So if we adjust it, then the margin will be higher. But for us, of course, they are less marginal. If there is even 1% margin, it's also a very good operation because there is almost no pressure on the capital so that's why it's just pure, let's say, fee operation with using your balance sheet without using the capital and with a very low risk. Because, as I said, the majority of the bonds we are using here, they are BBB rated, so with quite a sovereign risk.

So I think that our margin should be and will be more than 3% for sure for this year. But currently, I can tell you that we don't like to put ourselves in some range which we are absolutely sure that it will be like this. Because we like to use all the opportunities we have from the market, and if they order some new request from our clients to have more operations in the market area, why not? So we just have more profit. And, of course, we will have a lower net interest margin but it's just a projection of the situation with the balance sheet, you know.

Alan Webborn: Yeah. Okay. That's very helpful. Thank you.

Vladimir Chubar: Thank you.

Operator: Thank you. It appears there are no further questions at this time. I would like to turn the conference back to you, Sir, for any additional or closing remarks.

Elena Finashina: Thank you very much. Ladies and gentlemen, thank you very much for you time on this call today and for your interest on Credit Bank of Moscow. Please feel free to ask any questions to the IR team of the bank. And we would like to wish you a lovely rest of the day. Thank you.

Operator: Thank you, that concludes today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.