ICICI Bank Limited
Earnings Conference Call – Quarter ended March 31, 2015 (Q4-2015)
April 27, 2015

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Moderator: Ladies and gentlemen good day and welcome to the ICICI Bank Q4-2015 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. N. S. Kannan, Executive Director at ICICI Bank. Thank you and over to you, Sir.

N.S. Kannan: Good evening and welcome to the conference call on the financial results of ICICI Bank for the quarter ended March 31, 2015, that is the fourth quarter of the financial year 2015.

In my remarks today, I will cover:

- First: the macro-economic and monetary environment;
- then, our performance during the quarter, including performance on our 5Cs strategy;

- then, the performance of our subsidiaries and the consolidated results;
- and finally, outlook going forward.

Let me start with the first part on the macro economic and monetary environment.

Economic conditions remained stable during the fourth quarter of fiscal 2015. Some positive trends during the quarter included moderate inflationary trends with the growth in consumer price index at 5.2% in March 2015; signs of a pick-up in industrial activity as reflected by the positive growth in the index of industrial production; and reduction in the repo rate by 50 basis points to 7.5% by RBI. Further, the government's focus on fiscal consolidation in the Union Budget for fiscal 2016 and the passage of the Coal Mines Bill and the Insurance Bill during the quarter were positive developments. Moody's upgraded India's sovereign rating outlook to 'positive' from 'stable' in April 2015. As per the government's revised methodology on GDP calculation, GDP growth for fiscal 2015 is estimated at 7.4% compared to a growth of 6.9% in fiscal 2014.

Moving on to the performance of financial markets, the BSE Sensex rose by 1.7% during the fourth quarter. The yield on 10-year government securities declined to 7.74% as of end-March 2015 from 7.86% as of end-December 2014. Short term interest rates, however, remained volatile during the quarter. Since the beginning of April 2015, short term interest rates have decreased by 30 to 40 basis points. The exchange rate moved to 62.6 Rupees per US Dollar at the end of Q4 of 2015 from 63.3 Rupees per US Dollar at the beginning of the quarter. Subsequently, the Rupee has depreciated against the US Dollar and was at 63.4 Rupees per US Dollar on April 24, 2015.

With respect to the banking sector trends, non-food credit growth remained moderate at around 10-11% year-on-year through the quarter, before increasing to 13.2% year-on-year as of April 3, 2015. Growth in total deposits was at 12.8% on a year-on-year basis as of April 3, 2015. Demand deposit growth remained volatile in the range of 8-14% year-on-year through the quarter, before increasing to 25.0% year-on-year as of April 3, 2015.

Given the reduction in repo rate by RBI during the fourth quarter and stable liquidity conditions, most large banks have reduced their base rates and retail deposit rates in April 2015.

With this background, let me now move to our performance during the quarter, including the progress on our 5Cs strategy:

- **First, with respect to *Credit growth*:** The Bank's domestic loan portfolio grew by 17.8% on a year-on-year basis as of March 31, 2015, compared to a 13.2% growth in non-food credit for the system as of April 3, 2015. Loan growth for the Bank continues to be driven by the retail segment which grew by 24.6% year-on-year on March 31, 2015. The growth in our retail portfolio continues to be driven by secured products, with the outstanding mortgage and auto loan portfolios growing by 26% and 24% respectively on a year-on-year basis as of March 31, 2015. Growth in the business banking and rural lending segments was 18% and 35% year-on-year respectively. Commercial business loans declined by 13% on a year-on-year basis as of March 31, 2015, reflecting primarily the run-down of the bought-out portfolio. On a sequential basis, commercial business loans remained broadly stable and were at about 108 billion Rupees as of March 31, 2015. We expect growth in commercial business loans to gradually improve with recovery in industrial activity. The unsecured credit card and personal loan portfolio at about 109 billion Rupees as of March 31, 2015 continued to remain a small portion, about 2.8%, of the overall loan book, though the growth rate is high due to the low base.

The domestic corporate portfolio growth was 9.6% on a year-on-year basis as of March 31, 2015 compared to 4.0% growth as of December 31, 2014. The higher growth at March 31, 2015 compared to December 31, 2014 was primarily on account of lending to higher rated clients, including public sector entities during the fourth quarter. The SME portfolio increased marginally on a sequential basis to about 172 billion Rupees as of March 31, 2015.

Growth in net advances of the overseas branches, in US dollar terms was at 0.6% on a year-on-year basis as of March 31, 2015 compared to a 3.5% year-on-year growth as of December 31, 2014. In rupee terms, the net advances of the overseas branches increased by 4.9% on a year-on-year basis due to movement in the exchange rate. The net advances of overseas branches decreased marginally by about 1.6% on a sequential basis in US dollar terms.

As a result of the above, total advances of the Bank increased by 14.4% on a year-on-year basis from 3.39 trillion Rupees as of March 31, 2014 to 3.88 trillion Rupees as of March 31, 2015.

- **Moving on to the second C on *CASA* deposits:** The Bank continued to see healthy momentum in CASA deposit mobilisation. On a period-end basis, we saw an addition of 43.27 billion Rupees to savings deposits. Current account deposits increased by 36.04 billion Rupees during the quarter. As a result, the period end CASA ratio improved to 45.5% as of March 31, 2015 compared to 44.0% as of December 31, 2014. The daily average CASA ratio for the Bank increased from 39.3% in Q3 of 2015 to 39.9% in Q4 of 2015.

- **On the third C on *Costs***: The Bank maintained a healthy cost-to-income ratio of 36.2% in the fourth quarter of fiscal 2015 compared to 36.3% in the third quarter of fiscal 2015. For the fourth quarter, operating expenses increased by 7.9% on a year-on-year basis. For the full year FY2015, operating expenses grew by 11.5% year-on-year and the cost-to-income ratio was 36.8%, compared to 38.2% in FY2014. As mentioned on our previous calls, given the addition of about 14,000 employees in FY2013 & FY2014 and the Bank's focus on productivity and efficiency, the employee base has decreased by about 4,400 during FY2015 to 67,857 employees. This has been achieved primarily by not replacing attrition. While we expect the employee base to increase from this level, we will continue to focus on further enhancing the productivity and efficiency of our employee base as well as the expanded distribution network in order to drive growth.

- **Let me now move on to the fourth C on *Credit quality***: As we indicated on our previous call, the total NPA additions in the fourth quarter were higher than the third quarter, primarily due to challenges with respect to one or two large restructured borrowers. During the fourth quarter, we saw gross NPA additions of 32.60 billion Rupees, including slippages of 22.46 billion Rupees from the standard restructured category to the non-performing asset category. Deletions from NPA during the quarter were 6.54 billion Rupees and we have also written-off 5.95 billion Rupees of NPAs. We have not sold any NPAs to asset reconstruction companies during the quarter. The net NPA ratio was 140 basis points as of March 31, 2015 compared to 112 basis points as of December 31, 2014.

  During the quarter, we had gross additions of 12.47 billion Rupees to restructured loans. After taking into account deletions, including the slippages mentioned earlier, and the required specific provisioning, the net restructured loans for the

Bank were at 110.17 billion Rupees as of March 31, 2015, lower compared to 120.52 billion Rupees as of December 31, 2014.

Provisions for Q4 of 2015 were at 13.44 billion Rupees compared to 7.14 billion Rupees in Q4 of 2014 and 9.80 billion Rupees in Q3 of 2015. As a result, credit costs as a percentage of average advances were at 144 basis points on an annualised basis for Q4 of 2015. Provisions were higher in Q4 of 2015 on account of higher additions to non-performing and restructured loans. Provisions in Q4 of 2015 also include standard asset provisions of about 420 million Rupees on account of exposure to clients having unhedged foreign currency exposure. This added about 4 basis points to the annualised provisions to average advances for Q4 of 2015. For the full year FY2015, credit costs as a percentage of average advances were at 109 basis points. The provisioning coverage ratio on non-performing loans was 58.6% as of March 31, 2015.

For the full year fiscal 2014, the aggregate addition to NPAs was 45.40 billion Rupees, of which the fresh NPA addition was 38.13 billion Rupees and slippage from restructured loans to the NPA category was 7.27 billion Rupees. Loans restructured during fiscal 2014 were 66.33 billion Rupees. Thus, the sum of loan restructuring during the period and NPA additions, excluding slippages from the restructured portfolio, was 104.46 billion Rupees for the last year.

In comparison, during fiscal 2015 the aggregate addition to NPAs was 80.78 billion Rupees. Of this, the fresh NPA addition was 35.49 billion Rupees which is lower than the previous year. However, slippage from restructured loans to the NPA category was 45.29 billion Rupees in FY2015. Loans restructured during this period were 53.94 billion Rupees. Thus, the sum of loan restructuring during the period and NPA additions, excluding slippages from the restructured portfolio was 89.43 billion

Rupees, about 15 billion Rupees lower compared to the previous year.

After taking into account deletions and provisioning, the aggregate net NPAs and net restructured loans increased by 34.82 billion Rupees from 138.59 billion Rupees at March 31, 2014 to 173.41 billion Rupees at March 31, 2015. The aggregate net NPAs and net restructured loans increased by 4.58 billion Rupees in Q4 of 2015.

- **Now to the fifth C on *Customer centricity*:** The Bank continues to focus on enhancing its customer service capability and leveraging on its increased branch network to cater to its customer base. During the quarter, the Bank added 200 branches and 360 ATMs to its network. Accordingly, as of March 31, 2015, the Bank had a branch network of 4,050 branches and 12,451 ATMs. We also continued to strengthen our technology channels for increasing customer convenience. ICICI Bank has always been a pioneer in bringing technology-enabled products and services to the Indian customers. We are focusing on leveraging the three key transformational trends in technology – mobility, digitisation and rapid growth of social media – to bring value to our customers. Our innovations in recent years include fully automated 24*7 Touch Banking branches; Tab Banking for seamless and convenient account opening; a refreshed and intuitive internet banking website; a rich mobile banking application; specific convenient mobile applications for ease of information & transactions; and contactless, Tap n Pay card payments. During the quarter, we launched a digital mobile wallet called 'Pockets', positioned as India's first digital bank. 'Pockets' allows any individual - whether an ICICI Bank customer or not - to download and instantly activate an e-wallet. The e-wallet is amongst India's most comprehensive wallets which can be used to pay on all websites and mobile apps in the country. Our Facebook page continues to be appreciated by customers with over 3.5 million fans, the largest fan base on Facebook among Indian banks. The Bank also launched 'Video Banking' for NRI customers during the quarter. Using this service, NRI customers can now connect with a customer care representative over a video call, round-the-clock, on all days from anywhere using their smart phone. We are now launching an application for the Apple watch, leveraging the emerging trend in wearable technology. We will continue to launch new digital banking propositions in the days ahead.

Having talked about the performance on the 5Cs, let me move on to the key financial performance highlights for the quarter.

1. Net interest income increased by 16.6% year-on-year from 43.57 billion Rupees in Q4 of 2014 to 50.79 billion Rupees in Q4 of 2015. The net interest margin improved to 3.57% in Q4 of 2015 from 3.35% in the corresponding quarter last year. The domestic NIM was at 3.99% in Q4 of 2015 compared to 3.72% in the corresponding quarter last year and 3.88% in the preceding quarter. International margins were at 1.71% in Q4 of 2015 compared to 1.71% in the corresponding quarter last year and 1.67% in the preceding quarter. Net interest income in Q4 of 2015 includes interest of about 1 billion Rupees on income tax refund received during the quarter.

2. Total non-interest income increased by 17.5% from 29.76 billion Rupees in Q4 of 2014 to 34.96 billion Rupees in Q4 of 2015. Within the non-interest income,

   - Fee income grew by 8.3% from 19.74 billion Rupees in Q4 of 2014 to 21.37 billion Rupees in Q4 of 2015. The moderate growth is mainly due to subdued corporate activity and consequent decline in corporate fee income. Retail fees for the Bank continue to grow at a healthy rate and now constitute about 60% of overall fees.

- During the fourth quarter, treasury recorded a profit of 7.26 billion Rupees compared to 2.45 billion Rupees in the corresponding quarter last year and 4.43 billion Rupees in the previous quarter. The treasury income for Q4 of 2015 was primarily driven by gains on the fixed income portfolio, where the Bank capitalised on market opportunities.

- Other income was 6.33 billion Rupees in Q4 of 2015, compared to 7.57 billion Rupees in Q4 of 2014 and 5.38 billion Rupees in Q3 of 2015. During the fourth quarter, the Bank received dividend of about USD 30 million from ICICI Bank UK and about CAD 19 million from ICICI Bank Canada. ICICI Life did not pay dividends during Q4 of 2015. The Board of ICICI Life at its meeting on April 24, 2015 has approved dividend which would be paid in Q1 of 2016. The net exchange rate gains relating to the Bank's overseas operations were at 1.82 billion Rupees in Q4 of 2015 compared to 2.22 billion Rupees in the corresponding quarter last year and 1.92 billion Rupees in the preceeding quarter.

3. I have already spoken about the trends in operating expenses and provisions while speaking about the 5Cs strategy.

4. As a result of these trends, the Bank's standalone profit before tax increased by 10.3% from 37.40 billion Rupees in Q4 of 2014 to 41.24 billion Rupees in Q4 of 2015.

5. The Bank's standalone profit after tax increased by 10.2% from 26.52 billion Rupees in Q4 of 2014 to 29.22 billion Rupees in Q4 of 2015. For the full year FY2015, the profit after tax increased by 13.9% to 111.75 billion Rupees from 98.10 billion Rupees in FY2014. The return on average assets improved from 1.76% in FY2014 to 1.86% in FY2015.

The Bank's capital adequacy on a standalone basis as per Reserve Bank of India's guidelines on Basel III norms continues to remain strong. The Bank's overall capital adequacy ratio at March 31, 2015 was 17.02% and the Tier 1 capital adequacy ratio was 12.78%.

The Bank has been providing fully for any interest income which is funded through a Funded Interest Term Loan (FITL) for cases restructured subsequent to the issuance of RBI's 2008 guideline on restructuring. However, RBI has now required similar treatment of outstanding FITL pertaining to cases restructured prior to these guidelines. The Bank has with the approval of the RBI debited its reserves by 9.29 billion Rupees to fully provide such outstanding FITLs in the quarter ended March 31, 2015, as against over three quarters permitted by RBI.

I now move on to the performance of subsidiaries and the consolidated results.

On a full year basis, the profit after tax for the life insurance company was 16.34 billion Rupees in FY2015 compared to 15.67 billion Rupees in FY2014. The profit after tax for ICICI Life in Q4 of 2015 was 3.91 billion Rupees as compared to 3.88 billion Rupees in Q4 of 2014. The new business annualised premium equivalent increased from 10.81 billion Rupees in Q4 of 2014 to 15.98 billion Rupees in Q4 of 2015. The retail weighted received premium for ICICI Life has grown by 41.3% for the full year FY2015 compared to 1.7% decrease in FY2014. While the IRDA numbers for the industry are not available, we understand that the company has seen an increase in its market share to over 11% during FY2015. The new business margin was at 11.4% in Q4 of 2015 based on Traditional Embedded Value, or TEV, methodology. The company will be separately making disclosures based on the Indian Embedded Value, or IEV, methodology later in the week.

On a full year basis, profit after tax for ICICI General increased from 5.11 billion Rupees in FY2014 to 5.36 billion Rupees in FY2015. The year-on-year increase in profit before tax was about 33% in FY2015. The lower increase in profit after tax compared to profit before tax reflects the normalisation of tax expense, which in fiscal 2013 and fiscal 2014 was low due to losses carried forward from earlier years. The profit after tax increased from 0.76

billion Rupees in Q4 of 2014 to 1.31 billion Rupees in Q4 of 2015. The gross premium income of ICICI General decreased marginally by 3.1% on a year-on-year basis to 69.14 billion Rupees in FY2015 as the company adopted a calibrated approach to growth given the pricing trends in the industry. The company continues to retain its market leadership among the private players. While the IRDA numbers for the industry are not available, we understand that the company had a market share of about 8.3% during FY2015.

ICICI Securities and ICICI AMC have continued to see improvement in their performance. The profit after tax for ICICI Securities increased from 0.91 billion Rupees in FY2014 to 2.94 billion Rupees in FY2015. The profit after tax for ICICI AMC increased from 1.83 billion Rupees in FY2014 to 2.47 billion Rupees in FY2015. ICICI AMC sustained its market position as the second largest mutual fund in India during Q4 of 2015.

Let me move on to the performance of our overseas banking subsidiaries. The Bank has continued with its strategy of optimising the capital in the overseas banking subisidiaries. During Q4 of 2015, the Bank received the second round of equity capital repatriation of CAD 80 million from ICICI Bank Canada and USD 75 million from ICICI Bank UK. Further, both the overseas banking subsidiaires paid equity dividends to the parent bank in Q4 of 2015.

The Bank’s total equity investment in ICICI Bank UK and ICICI Bank Canada has reduced from 11.0% of its net worth at March 31, 2010 to 5.6% at March 31, 2015.

As per IFRS financials, ICICI Bank Canada’s total assets were 5.94 billion Canadian Dollars at March 31, 2015 compared to 5.64 billion Canadian Dollars at December 31, 2014. Loans and advances were 5.17 billion Canadian Dollars at March 31, 2015 compared to 4.97 billion Canadian Dollars at December 31, 2014. The increase in loans and advances was on account of higher securitised insured mortgages at March 31, 2015 compared to December 31, 2014. The profit after tax for Q4 of 2015 was 7.5

million Canadian Dollars compared to 11.0 million Canadian Dollars for Q4 of 2014 and 3.0 million Canadian Dollars in Q3 of 2015. For the full year FY2015, profit after tax was CAD 33.7 million compared to CAD 48.3 million in FY2014. The decrease in profits was on account of higher specific provisions primarily on account of change in risk categorisation of a mid-sized India-linked account during the year. The capital adequacy ratio for ICICI Bank Canada was 28.5% at March 31, 2015.

ICICI Bank UK's total assets were 4.13 billion US Dollars at March 31, 2015 compared to 4.17 billion US Dollars at December 31, 2014. Loans and advances were 3.03 billion US Dollars at March 31, 2015 compared to 2.90 billion US Dollars at December 31, 2014. The profit after tax for ICICI Bank UK for Q4 of 2015 was 0.9 million US Dollars compared to 5.2 million US Dollars in Q4 of 2014 and 6.1 million US Dollars in Q3 of 2015. The lower profits in Q4 of 2015 were on account of higher provisions on existing impaired loans. For the full year FY2015, profit after tax was at 18.3 million US Dollars compared to 25.2 million US Dollars in FY2014. The capital adequacy ratio was 19.2 % at March 31, 2015.

Going forward, ICICI Bank UK and ICICI Bank Canada will continue to focus on short term loans, working capital lines, trade & transaction banking products to multinational corporations, select local market corporates and subsidiaries & joint ventures of Indian companies, including through participation in syndication transactions. Additionally, ICICI Bank Canada would also continue to grow its securitised insured mortgages portfolio. We expect that the approach to lending in ICICI Bank UK and ICICI Bank Canada will also yield synergies for the clients' Indian banking requirements. The Bank and its UK and Canada subsidiaries will also continue to work towards optimising the capital invested in these subsidiaries.

During the quarter, the Bank concluded the sale of its Russian subsidiary.

Let me now talk about the overall consolidated profits.

The consolidated profit after tax grew by 13.3% from 27.24 billion Rupees in Q4 of 2014 to 30.85 billion Rupees in Q4 of 2015. The annualised consolidated return on average equity was at 14.5% in Q4 of 2015 compared to 14.2% in Q4 of 2014 and 15.5% in Q3 of 2015.

For the full year FY2015, consolidated profits increased by 10.9% from 110.41 billion Rupees in FY2014 to 122.47 billion Rupees in FY2015. The consolidated return on average equity was at 15.0% in FY2015 compared to 14.9% in FY2014.

On a consolidated basis, the Bank's overall capital adequacy ratio at March 31, 2015 was 17.20% and the Tier 1 capital adequacy ratio was 12.88%.

In summary, we have continued to pursue our core operating strategy during the quarter. In line with our focus areas, we have:

1. Sustained the improvement in net interest margins;
2. Maintained healthy non-interest income;
3. Sustained the improvement in our operating efficiency;
4. Seen continued healthy trends in CASA mobilisation;
5. Maintained strong retail portfolio growth; and
6. Achieved healthy performance in our non-banking subsidiaries.

Based on the performance of the Bank in FY2015, the Board of Directors has recommended a dividend of 5 Rupees per equity share of face value of 2 Rupees each to shareholders compared to 4.6 Rupees per equity share for FY2014, after adjusting for sub-division of equity shares during the year.

Moving on to the outlook for fiscal 2016, we believe that while the operating environment in FY2016 is likely to be better than FY2015, recovery in economic activity could be gradual and near term challenges for the banking sector may persist. Our outlook for fiscal 2016 is in this overall context.

- We expect to sustain domestic loan growth in the range of 18-20%, driven by about 25% growth in the retail segment. In the domestic corporate portfolio, we expect growth of 10-15%, driven primarily by increasing lending to higher rated clients. The Bank would continue to calibrate corporate loan growth to the trends in the environment. With respect to overseas branches, the Bank would focus on selective lending opportunities and will continue to calibrate growth to conditions in the funding markets. We expect the loan portfolio of overseas branches to grow by 8-10%.

- We would aim to maintain a stable average CASA ratio in the range of 38-40%.

- We would target to maintain overall NIM in FY2016 at a similar level compared to FY2015, despite the declining interest rates.

- We would target double digit growth in fee income in FY2016, led by retail fees. The overall fee income growth would depend on market conditions, particularly activity in the corporate sector, as well as regulatory measures with respect to various components of fee income.

- We will focus on sustaining the gains we have made in operating efficiency to maintain the cost-to-income ratio for FY2016 at a similar level as in FY2015.

- Coming to asset quality: we expect that the aggregate additions to restructured loans and NPAs in fiscal 2016 will definitely be lower than in fiscal 2015. Restructuring in fiscal 2016 will be limited to (i) restructuring of project loans in line with criteria permitted by RBI; and (ii) restructuring of other loans where referral/ restructuring application occurred before March 31, 2015. Our current restructuring pipeline is about 15 billion Rupees.

Based on the above, we expect provisions to be in the range of 90 to 95 basis points of average loans in FY2016.

- We believe that our strong and diversified franchise, large distribution network and technology capabilities give us the ability to leverage opportunities for profitable growth. We are well-placed with regard to the capital required to support this growth, and given our current capital position, we believe that we do not need to raise equity capital for the next three years, based on the current regulations.

With these opening comments, my team and I will be happy to take your questions.

Moderator: Thank you very much, Sir. Participants, we will now begin with the question-and-answer session. Our first question is from the line of Abhishek Kothari from Quant Capital. Please go ahead.

Abhishek Kothari: Can I have the breakup of provision expenses for the year in terms of NPA, standard assets and others?

Rakesh Jha: The standard asset provision for the year was about Rs. 4 billion, the balance was for NPA and restructured loans. For the quarter, the standard asset provision was about Rs. 640 million and balance towards NPA and restructured loans.

Abhishek Kothari: Coming on to your cost-to-income ratio, you did mention that you would be looking to hire. My first question is that, in Q4-2015, why was the cost-to-income ratio flat despite adding about 200 branches? Secondly, when you would be looking to hire, would there be a significant increase in employee count or total operating expenses?

Rakesh Jha: We would look at increasing our employee base primarily in the retail and rural business, so we will see some increase in employee count there. While it is difficult to give a specific number, about 5%

to 7% increase in employee count is what we could look at during the coming year.

Abhishek Kothari: For this branch expansion that we have undertaken, there has not been a significant increase in the expenses. Could you throw some light on that?

Rakesh Jha: While we have had expenses related to new branch additions, overall, we have continued to be very cost conscious over the last several years, which is why on an overall basis we have been able to maintain and improve our cost-to-income ratios.

Abhishek Kothari: Would expansion continue in the same momentum in terms of branches?

Rakesh Jha: Yes, we would look at increasing our branch network in the FY2016 also.

Moderator: Thank you. Next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

Pankaj Agarwal: Sir, about Rs. 45 billion of restructured assets slipped into NPAs during the year. The same would be about 40% of the outstanding restructured assets at the end of FY2014 and about 80% of the outstanding restructured assets at the end of FY2013. Do you not think this number is slightly on the higher side? Second, how do you expect this ratio to pan out in FY2016 and FY2017?

Rakesh Jha: As I have mentioned in the past, since the last couple of quarters we are indeed seeing a trend whereby slippages from restructured loans have gone up for the Bank. While the slippages were only about Rs. 7 billion in FY2014, there has been an increase in that number during FY2015. The slippage ratio over the last several years has gone up to about 25% from about 10% in the past. Going forward, the slippages from restructured loans will be lower than what we had seen in FY2015 but there could still be some slippages that happen from the current standard restructured loan portfolio.

Moderator: Thank you. Next question is from the line of Nilanjan Karfa from Jefferies. Please go ahead.

Nilanjan Karfa: Security receipts have gone up by Rs. 730 million on a Q-o-Q basis. Were there some sales which are of SMA-I or II category?

Rakesh Jha: We had one sale of an SMA-II category loan during the quarter, it was a small amount and that is reflected in the increase in the security receipts.

Nilanjan Karfa: And any loss therefore I guess would have been absorbed in the current quarter, is that right?

Rakesh Jha: Yes.

Nilanjan Karfa: Second question is that have you already undertaken some refinancing or debt equity swaps? I guess we know one case. Can you throw some color on that side? Also, what is your expectation for the next year? How much of refinancing will you do? How much of other options provided by RBI are going to help the Bank?

Anindya Banerjee: If you are referring to the 5/25 guideline, I do not think there is anything significant so far being done by the banking system per se under that guideline. There would be a number of projects across the system which will qualify for application of the guideline in terms of the sectors and the economic life of the asset and so on. Banks will look at it on a case-by-case basis as we go along.

Nilanjan Karfa: I guess, you do not want to give out a pipeline number of that sort?

Anindya Banerjee: No.

Nilanjan Karfa: Two last questions: You talked about an IT refund. Is this a regular occurrence?

N.S. Kannan: It is not a one-time occurrence, however the quantum and timing are not predictable. There is nothing unusual about it. It is about Rs.1 billion for the fourth quarter.

Nilanjan Karfa: Is that one of the reasons why margins have gone up?

N.S. Kannan: No, even otherwise margins would have gone up. The IT refund would have on an overall basis made a difference of only about 7 basis points to our margins in Q4-2015.

Nilanjan Karfa: Any specific reason for the margins to have gone up?

N.S. Kannan: No, it is just that cost of funds has been under control and we have seen some pickup in the yield on interest earning assets. It has been a conscious strategy to improve NIM.

Nilanjan Karfa: You talked about guidance on asset quality. Do you mean the gross addition to impaired assets will be less than sum of Rs. 80.78 billion plus Rs. 53.94 billion? Is that how you are looking at asset quality for next year?

N.S. Kannan: I mentioned that it would definitely will be lower than that amount.

Nilanjan Karfa: So the number is Rs. 80.78 billion and not Rs. 45.29 billion, which is just the slippage from restructured?

Rakesh Jha: Correct.

Moderator: Thank you. Our next question is from the line of Rakesh Kumar from Elara Capital. Please go ahead.

Rakesh Kumar: The question is that has the improvement in margin this quarter come from the credit yield? How are you going to achieve stable margins in FY2016? Is it going to come from the credit composition as given the base rate cut there would be pressure on the yield side?

Rakesh Jha: On the margins, as Kannan explained, about 7 basis points of the increase this quarter was due to the interest on income tax refund. The balance is because of the increase in the yield on overall interest earning assets which has partly come from the mix change. The entire growth between Q3 and Q4 has come from the domestic loan book while the overseas loan book has remained flat. And the other interest earning assets which typically earn lower, for example, the investments and other interest earning assets have also remained flat vis-à-vis Q3-2015. That is the reason for the increase in the margin. Going forward, while immediately, of course, there will be an impact of the base rate reduction that we have done in the current month, the deposit rates on the retail side have also been reduced during the month. This will start showing up with some bit of lag. Thus, we believe that we should be able to maintain our margin, because overall, the mix benefit will continue into FY2016 also.

Rakesh Kumar: Secondly, again, from the credit yield perspective, had the delinquencies and slippages come entirely from the standard book rather than coming from the restructured standard book would that have impacted our margin much more, because straightaway the standard account is becoming sub-standard? If the composition of slippages changes next year, the interest earning assets would come down to that extent and margin would get impacted. Any thoughts over it?

Rakesh Jha: Theoretically, it is correct. But overall as Kannan mentioned we are indeed expecting the level of NPA additions and restructured loans to be lower in FY2016 compared to FY2015. Thus, that should not be as big a factor for margins in FY2016.

Moderator: Thank you. Our next question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.

Amit Premchandani: Can you just help us explain the FITL accounting before 2008 and after 2008? What is the impact on the NPL recognition as well as NII because of this difference in accounting of FITL?

Rakesh Jha: Prior to 2008 when banks were restructuring loans, and if funded interest term loan was granted by banks, there was no requirement to reverse that income. In 2008, RBI issued guidelines which required banks to make a provision for FITL pertaining to cases restructured after these 2008 guidelines. Now, RBI has required provision for FITL relating to cases restructured before these guidelines also. RBI allowed us to make provision over three quarters through reserves, because it pertains to a past period. We have decided to take that upfront in one quarter which is reflected in reserves.

N.S. Kannan: As to your question on NPA, there is no impact on NPA, because the borrowers have since been upgraded, as Rakesh mentioned, these were all restructured much prior to 2008. The impact will get reversed as the FITLs are repaid as per the contractual maturities.

Amit Premchandani: Does the amount of Rs. 9.29 billion include a specific account or does it include many accounts?

Rakesh Jha: It is not just one account, there are multiple accounts.

N.S. Kannan: These are all old restructuring which was done. And the 2008 August circular of RBI was very clear that this was applicable only for the restructuring done prospectively after that date. However, RBI said that should be taken in respect of the previous cases also. So being a prior period item, it went through the reserves. As Rakesh mentioned, we did not want to exercise the option of doing it over three quarters, we just thought that we should take the knock and move on.

Amit Premchandani: There were about Rs.22 billion of slippages from restructuring. Any sectoral composition would be very helpful. Also, there was one account, which was kind of talked about that interest has been converted into equity. Any color on that account, what is the status of that?

Rakesh Jha: First one on the restructured portfolio, as we have said in the past, these are corporate exposures so these would be very small number of corporates that would have slipped into NPA from restructuring. There is no specific sector.

N.S. Kannan: I had mentioned it in the last call specifically that one or two large restructured accounts which we were monitoring could slip in. Those slippages have happened.

Moderator: Thank you. Our next question is from the line of Suruchi Jain from Morning Star. Please go ahead.

Suruchi Jain: Two questions: firstly, I understand the overall credit off take environment has been slow. Is there a reason why you did not see deposit growth outpacing loan growth because we have seen that for some of the other similar size banks? What are you doing to grow deposits?

Rakesh Jha: On deposit growth that we have seen during the quarter and for the year, what we have consciously done is that we have grown our CASA deposits as much as possible through our branch network, and the retail term deposits have also grown quite well. We consciously reduced the level of wholesale deposits. We have instead raised about Rs. 60 billion through the infrastructure bonds that RBI allowed. We have also done some amount of refinancing that is available from institutions like SIDBI and NHB, which again comes at a lower cost. So overall from a cost optimization perspective, we have raised these funds in the form of borrowings instead of wholesale deposits. With respect to deposit growth, CASA is growing at about 15% and even the retail term deposits would have grown at that level or higher. It is because of the conscious calibration on the wholesale deposit side that the overall deposit growth appears to be lower. Going forward, in FY2016, we would expect the growth in deposits to broadly keep pace with the loan growth, except to the extent that we will continue to raise some amount of funds through the infrastructure and housing bonds.

Suruchi Jain: Why you have included the tax refund in the NII and not in an exceptional line?

Rakesh Jha: As Kannan mentioned earlier, while the timing of that is not something which is consistent, but we do get it on a regular basis.

Suruchi Jain: So would you say once every year you get it?

N.S. Kannan: We have announced it earlier also. This year itself it came in about three quarters, if I remember right.

Rakesh Jha: If you look at the last full year, for example, it was about Rs. 1.8 billion of interest on income tax refund. This year it is about Rs. 2.5 billion. Because the number for the quarter was about Rs. 1 billion, Kannan highlighted it while talking about the NII.

Suruchi Jain: In terms of branch expansion, you have already mentioned that you will be looking to grow branches further, but any annual run rate that you could provide on an ongoing basis?

Anindya Banerjee: I think today we are just over 4,000, about 4,050. Probably around 10% increase in that number is what we would be looking at.

Suruchi Jain: So that would be a 10% every year?

N.S. Kannan: No, we look at it in a year-on-year basis. We are looking at about 400 branches for the next couple of years, and then we will take stock and see how many more we need and where.

Suruchi Jain: It is not 400 for this year, but it is just 400 over the next couple of years?

N.S. Kannan: No, it is 400 per year for the next couple of years. And at the end of that period, we will take stock and see whether we need to increase or decrease that and how the various channels are playing out.

Suruchi Jain: Is there anything that you are changing on your underwriting side that would maybe prevent these future restructurings on your loan book. I understand some of it is unavoidable. But, is there anything that you are changing at the loan origination standpoint?

N. S. Kannan: There are a couple of areas we are working on: One is, if you look at the deterioration in asset quality, stress has been seen in the EPC or construction space, where there are lots of receivables, things have got delayed which in turn has put pressure on those construction companies leading to devolvement of guarantees. That is one sector, where one has to be a bit careful in terms of lending going forward. The second area, as I have mentioned earlier in the context of the corporate loan quality, which we have furthered in Q4-2015, is moving the overall rating mix towards a better rating mix by focusing on lending to higher-rated corporates. The third area where we have done some work and we will pursue that into the year is overall concentration risk, where I had also mentioned in the context of our restructured loans that there is some lumpiness in terms of one or two assets, and if they slip they create a bit of volatility in the provision. We would aim to minimize a similar situation going forward. Incrementally we are looking at tighter concentration thresholds so that anything above say a particular number gets highlighted and escalated to the higher level committees. These are the three ways in which we are trying to address the issue. And, of course, revival of the economy should lead to improvement in asset quality.

Suruchi Jain: A clarification with respect to the construction companies. Are you saying that you are going to stop doing any lending in that area or you are just going to do it a little later in the project?

N.S. Kannan: We will continue lending. We will look at the credit ratings carefully, and may stipulate in some cases an additional security because these kind of companies are asset-light companies. We will not stop, but we would be a bit more selective in terms of our financing.

Moderator: Thank you. Next question is from the line of Mahrukh Adajania from IDFC. Please go ahead.

Mahrukh Adajania: A couple of questions. In terms of the slippages from restructured loans, these would necessarily be accounts that have come out of moratorium, right? It will not be something that you feel will come out of moratorium, but will still not survive. So, is there any early identification or would these be aged accounts only?

Rakesh Jha: These would typically be accounts that have come out of moratorium.

Mahrukh Adajania: Following-up on an earlier question, since slippages to restructured loans as percentage to the FY2013 book is anyways a big number, could we say that it has really peaked now, at least the slippage from restructured? I know that you said the total stressed loans will be lower Y-o-Y, but will it be substantially lower, because already a large portion has been recognized as NPL?

N.S. Kannan: If you are look at the percentage for the quarter it will definitely be lower. If I look at the numbers currently, the highest of the restructured loan would probably be about 5% of the restructured loan outstanding. So that would be the maximum kind of a number of a single asset. We don't think that kind of situation will arise. I agree with you.

Mahrukh Adajania: Of the standard restructured loan, would the biggest amount be 5%?

N.S. Kannan: Yes, about that. The largest restructured account will be of the magnitude of about 5%. I mentioned that the net restructured loans outstanding as at March 31, 2015 is Rs. 110 billion. On that number if you put an order of magnitude of 5% that will be the single largest restructured asset. So obviously, the slippages cannot be as lumpy as it has been in the past.

Mahrukh Adajania: With respect to FITL, currently you recognize it on the NII and then provision for it?

Anindya Banerjee: Yes.

Mahrukh Adajania: In terms of extending liquidity support or extending additional credit facilities. When you do that to an existing borrower, when the consortium does that, it basically happens on the same charge, right? You just extend the charge on the same assets to a higher limit, right? There is usually no additional security, because it is not restructuring, is that correct?

N.S. Kannan: No, it depends on what the bankers want and what the borrower has to offer. I don't think there is any rule that there will be no additional security. Additional credit facility or higher limits could be on the same assets or it could be with some additional security coming in as well, it depends on a case-to-case basis.

Moderator: Thank you. Next question is from the line of Manish Karwa from Deutsche Bank. Please go ahead.

Manish Karwa: On this FITL thing, does it also mean that your restructured loans are lower by Rs. 9.6 billion?

Anindya Banerjee: No, as Kannan mentioned these accounts had already been upgraded. So they do not form part of the restructured portfolio.

N.S. Kannan: Upgraded and we are very confident of recovering the money and it will get reversed.

Manish Karwa: When you charge it against your reserves, what is the second entry that you are passing, what is getting reduced on the assets side then?

Rakesh Jha: The funded interest term loan, which was lying in the advances book.

N.S. Kannan: So advances growth is lower to that extent, but not restructured loans.

Manish Karwa: The restructured pipeline mentioned in the last quarter is somewhat on a higher side compared to the assets restructured during the quarter. Does it mean that the outlook is slightly better or the assets you were expecting to restructure have actually become NPLs or recognized as NPLs during this quarter?

Rakesh Jha: I guess it is a mix of both. Some of the restructuring has not got completed in the March quarter which will happen going forward. Kannan talked about the pipeline of restructuring, it would be part of that pipeline.

N.S. Kannan: And a couple of restructuring may not have been required at all. So they dropped out of the pipeline also. The outlook is a little better, but a couple of things have got postponed as well.

Manish Karwa: On the fee front, compared to competition we are still lagging on the fee growth. While the last few years have been tough for us do you think that we can now probably see much better trends? Can we expect a double-digit kind of fee growth going from here?

N.S. Kannan: Clearly. The internal targets are even higher than what I had sort of indicated to be a double digit-target for fee growth. One, continued momentum on the retail side is a positive. On the corporate, SME and other portfolios the base effect will work in our favour. So, we are definitely targeting double-digit growth of fee income.

Manish Karwa: Due to the higher slippage, did we have some interest reversals also?

Rakesh Jha: That will always happen.

Manish Karwa: But, is it a big number to talk?

Rakesh Jha: Interest accrued typically for the last 90 days or something and not received in cash gets reversed, but that is a consistent number every time. So it is not an exceptional thing.

Moderator: Thank you. Our next question is from the line of Anish Tawakley from Barclays. Please go ahead.

Anish Tawakley: Two questions: One is that the non-funded risk weighted assets have been almost flat this year. Why are you not growing this and what is the plan for the future? And, if the plan is not to grow these, I was little surprised that you did not raise the dividend payout ratio because if these are not going to grow, then capital consumption will probably be lower. So, if you could talk about why these are not growing, what is the profitability in these, and if the plan is not to grow, then why not dividend out more, it would be helpful. The second was just a factual question on the Rs. 11,000 crores of restructured assets. How much will leave the moratorium this year?

Rakesh Jha: On the first one in terms of the non-fund book over the last two years we had said that the growth in the non-fund book will be lower than what we see on the funded side. In terms of overall profitability, indeed the pricing is extremely tight on the non-fund based business. In the past, say, 7-8-years ago, we used to do a lot more of non-fund based business on the corporate side because in terms of funding cost we were not as efficient given the low CASA ratios. Over the last few years, our CASA ratios have gone up to 40% average CASA level resulting in better returns on the fund-based book. In terms of the overall return on risk weighted assets, incremental return would come from the fund based book for us. I do not think it is directly linked to a higher dividend payout ratio. The payout ratio would be amongst the highest in the system. Also, we have looked at a consistent payout ratio through the cycle. We do not look at changing that. As Kannan mentioned, we believe that we have sufficient capital for growth over the next three years, and indeed, RBI has been tightening lot of capital requirements, so we have to keep that also in mind.

Anish Tawakley: Does this mean that the off-balance sheet RWA would remain flattish for the next few years as well?

N.S. Kannan: We will see if there are opportunities we will grow. I will not want to commit on that. As of now it is right that we will look at a higher growth on the fund-based RWA versus the off-balance sheet RWA.

Anish Tawakley: Second question was, you have Rs. 11,000 crores of standard restructured assets. How much will exit moratorium this year?

Rakesh Jha: We have not given any specific number on that, actually I do not have it off-hand, but overall, as we have said, the moratorium generally ranges between four to six quarters.

Anish Tawakley: Ok. But the slippage rate from restructured loans has increased in FY2015. Do you think the trend will continue in FY2016?

N.S. Kannan: As we said, we definitely do not expect the same level of restructured loans to slip into NPLs next year as we have had this year. The same is also factored into the overall outlook of additions to gross NPAs and restructured loan for the next year and would definitely be lower than this year.

Moderator: Thank you. Next question is from the line of Vishal Goyal from UBS Securities. Please go ahead.

Vishal Goyal: Just wanted some color on the relapse from restructuring in this full year, which is about Rs. 45.3 billion. In terms of slippages and the outstanding restructured loans, could you through some color on the sector concentration?

Anindya Banerjee: I think Rakesh spoke about it a short while ago that these are basically corporate accounts, so there is no real specific sectoral buyers, some of the accounts are relatively larger. On the last call, we had mentioned about one or two large accounts being vulnerable and which could possibly have slipped and some of that has come through. In terms of the composition of the overall restructured portfolio, as we have mentioned in the past, it is again diversified across sectors. Areas like construction, and EPC is clearly one area, which has a sizable share.

Vishal Goyal: Any breakdown which you can provide in terms of rating mix of your portfolio so that we can understand whether things are improving or deteriorating and how you are changing your credit norms?

Anindya Banerjee: We do not provide a rating mix of the portfolio.

Moderator: Thank you. Next question is from the line of Roshan Chutkey from ICICI Prudential. Please go ahead.

Roshan Chutkey: Firstly, has there been any traction in conversion of debt of stress borrowers to equity post the guidelines issued by SEBI?

Anindya Banerjee: I think SEBI has not notified the guidelines, we will see how this evolves going forward.

N.S. Kannan: To answer your question, it has not happened in a meaningful manner.

Roshan Chutkey: Can you comment on the decline in overall PCR?

Rakesh Jha: It is a function of the much higher NPA addition that we had this quarter compared to the last few quarters. The provisions are made by banks are over a period of time, we will see improvement in PCR once the pace of NPA additions slows down. We expect the FY2016 additions to be lower than FY2015; we should start to see PCR stabilizing in FY2016.

Roshan Chutkey: What is your subsidiary strategy now? I see the network declining and then you have backed out of Russian subsidiary also?

Anindya Banerjee: As far as the Russian subsidiary is concerned, that was a business that we have been scaling down for some years now, because the original purpose of our presence in that market has not worked and the market has been volatile, and this year in particular the economy has faced challenges on account of both the geopolitical issues and the commodity price issues. The good thing was that we had invested a relatively small amount of capital there, and we had also scaled down the business significantly. The last reported asset size was about $100 million which is why we were able to exit it quickly. With respect to the UK and Canada subsidiaries, while we continue to maintain our presence in those geographies, with the changed regulatory environment, the companies there do not need much capital. With regulatory approvals, we have been reducing the capital there in a gradual manner, so that the capital is right-sized for the kind of business that they can do.

Roshan Chutkey: Also on the overseas side, are you increasingly funding the local market, or is it for the Indian borrowers there?

Rakesh Jha: The loan book continues to be largely linked to the Indian companies, either for their operations in India or their operations overseas. In the subsidiaries, we do a fair amount of local lending as well, for instance, in Canada, we do insured mortgage business.

Moderator: Thank you. Next question is from the line of Adarsh P from Nomura. Please go ahead.

Adarsh P: A question on the performance of the subsidiary lending business. You mentioned that you added some provisioning hit there. Just wanted to understand whether that continues in FY2016 or were these one-off cases?

Rakesh Jha: For example, in Canada, the level of India-linked exposure is a small amount, given that a lot of repayments have happened over the last few years. We do not expect any meaningful provisions to come in the Canadian book. In UK, we still have a reasonable amount of India-linked exposures. While we have not seen an increase in the level of impaired loans, in this March quarter the provisioning requirement has gone up. That is something we will have to track into FY2016 also.

Adarsh P: The second question is related to our credit cost guidance. We have kind of maintained 90-95 bps credit cost guidance. If we look at this year, we stuck to that number, but it has come at a cost of going about 10 percentage points down on coverage. In your guidance for next year are we assuming some bit of drawdown on coverage, or do you think coverage would be flattish?

Rakesh Jha: We do not target any specific coverage ratio. The coverage ratio is a result of the NPA additions and the recoveries that we see, because we have a consistent provisioning policy. If we would have added the amount of NPAs that we did in FY2015, the coverage ratio would have moved how it did. It is not at all linked to the guidance; in fact, we ended up with higher provisions than what we had initially guided for the fiscal. The provisions will be completely a function of the level of NPA additions that we see. While the level of additions in FY2016 will be lower than what we have seen in FY2015, the numbers would still be higher than say a normalized level. To that extent there would not be a significant improvement in the coverage ratio in FY2016.

Adarsh P: My question was in the context that we are still maintaining our delinquency guidance. Given that there would be limited restructuring now, it implies higher slippages in FY2016, which probably requires higher provisioning.

Rakesh Jha: Actually the restructured slippage requires a higher provision, because it typically happens from the date of restructuring. So it can be either ways actually. As I said we do not really plan for a coverage ratio per se, we do look at the coverage ratio to see that on an aggregate overall basis we should be expecting to recover the net book value of NPAs in our books.

Adarsh P: Last question on the corporate growth side. I wanted to check that in the last couple of quarters we mentioned that we are not finding the available pricing on some of the refinancing deals to be attractive. Are we revisiting that, or it is not attractive enough for you?

N.S. Kannan: I think we had mentioned a couple of months ago as well that, whatever growth was there on the corporate side was coming from either working capital or from refinancing which would happen at varying yields. Further, the corporate book growth of 4% reported as of December was indeed below normal which we expected to normalize closer to the system growth of 9-10% by March, which is what we have done. In Q4-2015 the corporate book has grown sequentially along with a year-on-year growth of 9-10%. We should see at least this level of growth to continue going forward, could go up a little bit.

Moderator: Thank you. Next question is from the line of Rohit Shimpi from SBI Mutual Fund. Please go ahead.

Rohit Shimpi: Several quarters back you had spoken about targeting 18% return on equity. Wanted to get your sense on what kind of levers would we use over the medium term to get there. Do you reckon that return on assets, return on risk assets could improve or do you see that is more a function of running down current Tier-1 ratios? Could you elaborate on that please?

Rakesh Jha: It will be a mix of both, if you look at our Tier-1 we are still at about 12.8% and there is three years of growth that we can look at in terms of the balance sheet without requiring any dilution. On the return on risk-weighted assets, one is capital optimization, partly, we talked about it, when we talked about returns on the off-balance-sheet and the non-fund based business being lower. We are growing that book at a slower pace. We have been repatriating some of our excess capital from the UK & Canada subsidiaries and growing our domestic book at a faster pace compared to the overseas book. All of these things would help in the improvement of RoE. From an RoA perspective, the credit cost currently is running at a much higher than normalized level, especially if you look at the current quarter. We would expect the credit cost to normalize down from this level. With respect to margins, we are confident of maintaining it broadly at the same level in the near-term. Fee income, as Kannan mentioned, there is some scope to improve the pace of growth there. We should be able to see some growth in return on assets. That together with the increase in leverage of the balance sheet should help us to get to the 17%-18% RoE that we have talked about.

Rohit Shimpi: At what level of Tier-1 or CET-1 ratio would the Bank look at raising capital?

Rakesh Jha: Right now, as we said we are not looking at capital raising at all for the next three years.

Rohit Shimpi: But at what level of Tier-1 would you raise capital? Say 10-11%?

Rakesh Jha: At least a double digit is a minimum requirement today from the market perspective.

Moderator: Thank you. The next question is from the line of Prashant Kumar from Credit Suisse. Please go ahead.

Prashant Kumar: My question is again related to the problem of asset addition guidance only. So what we have said is that fresh problem asset addition for next year should not be more than around Rs.87 billion that we have seen in this year, and on top of that we have some broader idea of the restructuring pipeline. So I just wanted to understand that based on that, can we get the guidance for NPL addition as well do we have separate guidance for NPL addition for the next year as well, given that restructuring would not be available next year?

N.S. Kannan: I think we have been talking about the number of NPL plus restructured, and NPL plus restructured net of slippage from the second to the first. And we believe that on those parameters next year will be lower than this year. Within that we have not really given any separate breakup.

Moderator: Thank you. Participants, that was the last question. I now hand the floor back to Mr. N. S. Kannan for any closing comments. Thank you and over to you, sir.

N.S. Kannan: Thank you all of you for your time and then if any further questions are there, we could answer them offline. Bye-bye.

Moderator: Thank you. Ladies and Gentlemen, with that we conclude this conference call. Thank you for joining us. You may now disconnect your lines.