# FAB Q4/FY'2019 Earnings Call Transcript*

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**Co-host**

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Citi

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**Karim Karoui**
*Group Head of Subsidiaries, Strategy & Transformation*

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*Group Chief Credit Officer*

**Other participants**

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**Shabbir Malik**
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**Operator:** Good day! And welcome to the first Abu Dhabi Bank Full Year 2019 Results Conference Call hosted by Citi. This call is for Analyst and Investors only. People of media and press may disconnect. Today's conference is being recorded. At this time, I would like to turn the conference over to Rahul Bajaj. Please go ahead.

**Rahul Bajaj:** Thank you very much. Good evening, good afternoon and good morning everybody. On behalf of Citi Research, I would like to welcome you all to First Abu Dhabi Bank full year 2019 results call. With us on the line we have James Burdett, Group Chief Financial Officer; Karim Karoui, Group Head of Subsidiaries, Strategy and Transformation; and Sofia El Boury, Head of Investor Relations.

I'll now hand over the call to Sofia for few comments. Please go ahead, Sofia. Thank you.

**Sofia El Boury:** Thank you, Rahul. Good afternoon, good morning, everyone. Thank you for joining us today to review FAB full year 2019 financial performance. You would have received all our disclosures this morning including our deck, which is currently available on the investor relations section of our corporate website as well as on our app and the replay for this call will be available shortly after the call.

So, from FAB senior executive team we have with us today our Group CFO, our Group Chief Credit Officer, our Group Chief Risk Officer, as well as our Group Head of Subsidiary, Strategy and Transformation. As usual, we'll be going through the presentation and then answer your questions during the Q&A session. With this I'd like to pass it on to our Group CFO for the presentation.

**James Burdett:** Thank you, Sofia. Good afternoon, everybody. Thank you very much for joining FAB 2019 results presentation. Those of you who have listened before, you will know I'll skip through the slides pretty quickly. I'll label each slide as I go through it and then will hand over for Q&A and at the end and as Sofia mentioned a number of our colleagues are here to help out for any questions that you might have.

So starting firstly on slide number 3, which is the key performance highlights for the bank. You can see we had a solid set of results particularly, I guess, what's becoming an increasingly challenging environment, those results were in line with the guidance that we put out to the market. Our NPAT for the fourth quarter was AED 3.1 billion which was up 5% over the prior comparative period bringing total year-to-date profit to AED 12.5 billion which is 4% up over last year. And you'll see, as we go through the presentation most of that growth was driven by revenue which is up 4% over the prior comparative period.

We also continued to focus on shareholder returns and maximising shareholder returns. And you can see our return on risk-weighted assets was improved by about 10 basis points to 2.56%. And at the same time, we've been very efficient with our allocation of capital where you'll see from the presentation, assets were up some 10% year-on-year, but our risk weighted assets were actually down 1.5%, which had led to this improved return on risk weighted assets.

Our return on tangible equity remains within guidance at just over 16%. And the proposed dividend for the full year is 74 fils which is flat to last year and represents circa 5% yield at current share price. At the same time, we're doing all of this and executing on our strategic agenda. We've expanded in those markets we said we would. We now have three branches in KSA. After a two year period of integration, we've invested a significant amount of money in our digital capabilities, our product offerings and in general trying to improve the customer experience to give us both revenue and cost synergies and we've made some good progress on that.

And, in fact, in terms of the cost synergies, you'll see, we've said here that we've almost met our full annual run-rate target that we put up to the market, which is AED 1.5 billion of sustainable saves going forward. In terms of the future, we believe we're well positioned relative to our peers. We have a very strong balance sheet. Our key differentiator is our proximity to Abu Dhabi. We believe GDP formation will be government led and based on our strong track record of execution, we think we are well positioned going into 2020.

So turning to slide 4, just looking at how we performed against the guidance we put out to the market. You can see against most indicators we performed in line with guidance, profit coming in a mid-single digit at around 4%. Our cost of risk was stable at 48 basis points throughout the year, which was below the guidance from 55 to 65 basis points. And as you'll see the guidance for this year in 2020 we think it will normalise back to 55 to 65 basis points. Return on tangible equity I've already talked about at the bottom end of the range, with just over 16% but our Common Equity Tier 1 significantly ahead of the guidance we put out to the market at 15.2%. Again, it puts us in a strong position for growth in 2020.

Jumping to slide 5, this just shows the net profit bridge to get to the AED 12.5 billion and as I've already reiterated most of the growth was through operating income, which is up AED 800 million over last year. Most of that growth was within CIB and within CIB we have very good metrics around balance sheet growth and growth from the various product lines that you'll see coming through. Personal banking growth was flat, but we have to keep reminding ourselves that we've tightened risk appetite so there were negative headwinds from '18 going into '19. In fact, it's actually a good result given that the market actually contracted. So, despite the 16% loan growth, RWA has contracted which led to a superior return on risk-weighted assets performance.

On slide 6, just looking at the capital generation, you can see 2.54% of profit generation, so our organic growth and our ability to generate organic capital remains very strong. And you can see CET1 ratio vis-a-vis last year at 15.2% versus 14% last year. Once you take out the proposed dividend, we are left at 13.5% which is a very good result going into next year of 2020.

Slide 7, just to give you some flavour on the execution of our strategic agenda. The business momentum remains very strong in terms of growth and if and when you go through the presentation in detail, you'll see a number of metrics that have improved considerably. So, just to pull out a couple of those: CIB revenue up 11%, global market is up 30%, loans up 16%, CASA up 9%. So all those sort of areas that we are looking to focus on growth, looking very good. And as I said, in personal banking, we remain flat with those headwinds and despite a shrinking market.

We also said we're investing in transformation. There is a cost uptick coming through the numbers. We are investing both in terms of revenue productivity by enhancing the customer experience through digital, through improving customer journeys - that's all about revenue productivity play. And we are also investing in back office automation where we are looking to automate end-to-end processes to improve the customer experience, but also improve our cost efficiency ratio. And we're looking to continue to invest into 2020 as well.

In terms of leadership and strength, we are one of the key enablers of Abu Dhabi's economic growth and stimulus plans. You can see that coming through very loud and clear in the numbers where a significant part of the growth was government and GRE related. We are the market leading franchise in the market. We have the most diversified portfolio and the biggest international reach of our competitors. All of this plus a strong balance sheet means, again as I reiterate, that we are strongly positioned for next year.

Turning to page 8, just to produce some flavour of some of the improvements we've made in the digital investments space that we've made, just to give you a bit of a flavour. I'll highlight some of the statistics. So, 50% increase in mobile engagement, those are some massive efforts coming of the back of integration. Our net promoters score, which was pretty low and we know and we acknowledge that has steadily improved every single month throughout 2019. Those transactions that we've migrated to digital channels, the transactions on those have increased by four fold. We've redesigned a number of customer journeys and we're leveraging the MIS to enhance sales productivity. And when you take out some of the one-offs, you can see in our personal banking business that sales productivity has improved over the last three quarters.

Turning to slide 9, which just shows balance sheet growth. As I said before, very significant growth up 16% or AED 55 billion year-on-year. It should be noted that there was a significant one-off transaction at the end of the fourth quarter to the tune of around AED 30 billion which was a one-off short term facility which has in fact been repaid in January. So, when you exclude that, the growth was around 7% which is very favourable compared to market growth of around 3%.

In terms of deposit growth: 12% or AED 54 billion year-on-year, that's across all segments, not just government, but also GREs, corporate and transactional banking. Our CASA is up 8% year-on-year that translates to AED 14 billion increase to AED 174 billion which we are very proud of and we've significantly increased the number of GCM (Global Cash Management) mandates that we put out to the market and that's helped us drive a liquidity coverage ratio of 129%.

Page 10, on the net interest income, down 2% year-on-year. As you know with us that's a very mixed bag. So, the stronger balance sheet growth plus the benefit of the 2018 rate hikes flowing into 2019 was broadly offset by NIM compression in CIB, risk appetite tightening in personal banking and significant increase in government deposits which we primarily place with the ECB, where the corresponding income is reported into the non-funds income line.

In terms of the fourth quarter, you can see a reasonably significant drop-off that primarily relates to the three rate cuts coming through in the fourth quarter versus the prior three quarters plus lower interest in suspense versus third quarter ’19 and translates to a NIM reduction of about 7 basis points Q-on-Q. And as you can see there on the bottom of the page we’ve again articulated the impact of 25 basis points, if there is no offsetting action, equates to around AED 270 million.

In terms of non-interest income, significant growth there. We’re up 16% year-on-year which translates to incremental AED 1.1 billion over the prior comparative quarter. Fees, however are down 7% year-on-year and that mainly relates to trade fees that are down over the last prior comparative period, mainly because it’s the non-economical trade for us where the spread is so low and mandatory central bank provision means the business is not so attractive to us from a shareholder accretion perspective.

In terms of the FX investment line, significant growth mainly out of global market, which is up 43% year-on-year. And just sort of breaking that down a bit: trading income is up nearly 100%; sales activity on the back of our ever increasing sales franchise; and CIB is up nearly 40% and we had a number of AFS gains on liquidation - all generating that figure of AED 4.1 billion for the full year. In terms of Q-on-Q growth, in the FX and investment income line, that’s mainly as a result of some AFS gains we’ve made opportunistically in the fourth quarter.

Turning to slide 12, just looking at the costs. You can see a significant reduction in integration costs, as we guided the market, that’s broadly offset by increased depreciation as we now depreciate the integration asset, plus investment in digital and now international franchise mainly Egypt and KSA coming through. So, overall growth of 3% year-on-year. Cost income ratio at 26.8% just outside the range that we guided mainly because of the weakening of revenue as a result of the rate cuts coming through in Q3 and Q4. Just one more point I want to make on cost leadership - we do have a number of initiatives to drive further cost efficiencies both locally and internationally that we are working on at the moment.

Turning to slide 13, in terms of asset quality top left hand side, the cost of risk remained pretty stable at 48 basis points, similar to full year 2018. So, full year provisions at AED 1.843 billion. In terms of the NPL ratio, you can see it picked up a little bit to 3.2%, but the coverage ratio as you can see dropped and that’s mainly as a result of the write-off of a number of accounts that were fully provided.

And I think it’s worth pointing out at this stage that we are very comfortable with the coverage ratio at somewhere between 90% and 100% because this is cash covered non-performing loans, in addition to further collaterals. And I think the other point I would make is that it was abnormally high previously as a result of PPA, and also the IFRS 9 provisioning. So we think the normalised levels are around 90 to 100%s along with the cost of risk being around 55 to 65 basis points. In terms of the NPLs themselves going from AED 12 billion to AED 13.5 billion, that primarily relates to a couple of large accounts that have been downgraded to NPL status.

On page 14, just looking at the outlook, clearly, there are some uncertainties out there in terms of the three rate cuts flowing into bank's results into 2020. We have estimated in our outlook one more rate cut towards the end of the year in 2020. There is clearly softness in the property market, softness in the non-oil GDP sector, but that's offset from our perspective by significant government stimulus as a result of the Expo and so on. So our strategy execution continues in the same vein of the Investor Day, we put out the same time last year, that is - we will maintain cost discipline, we will maintain risk discipline, we will continue to strengthen our leading position in UAE. We believe there is significant upside both on the CIB space and the personal banking space where we're underpenetrated and we know we can enhance our cross-sell and return on equity and we'll continue to accelerate growth in those markets that are strategically important to us such as KSA and Egypt. At the same time, we will continue to invest, but our investment is very disciplined in the sense we're investing in revenue productivity and cost efficiency.

So, to the guidance on the page 15. In terms of loan growth, we think that we are broadly flat, but again, remember the AED 30 billion one-offs in the fourth quarter. So, once you take that out, it's going to be high single digit, which I think it's the way you should look at it from an averaging perspective, when you are looking at your return metrics.

In terms of revenue growth, we're seeing low-to-mid single digit, we believe would have a significant ability to offset the impact of the rate cuts, through data, cross-sell, targeted growth in certain areas, personal banking momentum and so on. Cost income ratio, it will slip a little bit to 27% as we invest for the future. But, obviously that investment is designed to give us revenue productivity and cost gains in the future. I've already talked about the risk metrics. We think the cost of risk will normalise around 55 to 65bps. We think the 48 basis points was abnormally low on the back of IFRS 9 implementation as well as the PPA.

NPLs we're saying below 4%, we think it will be somewhere between 3.5% and 4%. And in terms of the profitability metrics, return on tangible equity of 15%, Basel III CET1 above 13%. But I think the important point is, we remain firmly committed to meet our medium term financial aspirations which are listed below on page 15.

So just to wrap up on page 16, before we go to Q&A. Solid performance in the first year of transformation and let's not mistake the transformation was significant, the integration was significant, there were some teething problems. We've improved every quarter in our personal banking franchise throughout 2019. We have a diversified business model, which I think gives us a competitive advantage. We are banker to the Abu Dhabi government. We think a lot of the GDP formation will be government led. And with our strong balance sheet, ratings and good management track record, we think we can outperform our competitors and deliver on that medium term guidance that we put out to the market.

So, look, I'll thank you all for listening and I'll hand over for Q&A.

**Operator:**Thank you. If you would like to ask a question please signal by pressing *1 on your telephone keypad. If you are using a speaker phone, please make sure your mute function is turned off to allow our signal to reach your equipment. Again, press *1 to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for questions.

We have no questions at this time – I do apologise, we will take our first question from Chiro Ghosh of Sico. Please go ahead.

**Chiradeep Ghosh:** Yes. This is Chiro from Sico. I want to get an understanding of the loan appetite in the market per se. So, fourth quarter, even if we remove the or like ignore the one-off large short term facility which you said, if you can get me a sense of what is the borrowing appetite, like, especially from the private sector?

**James Burdett:** Yeah, look we see a lot of the pipeline at the moment being government led. As I've said before, the GDP formation I think is mainly government/ GRE public sector entity on the back of stimulus. So that's by far and away our largest growth – area of growth. And we think that will be the biggest number in terms of balance sheet movement going into 2020. I think in terms of the personal banking market, we think the market will be broadly flat year-on-year. I don't see a lot of growth in that space.

**Shireesh Bhide:** In terms of the private borrowers on the corporate side, I think the investment cycle is not really fully kicked in as yet. So, I think, as the investment cycle kicks in, potentially there is an opportunity, but I don't think we would take that to be a big number in 2020. I think what James said is correct, it is going to be government led and this is what we are probably going to get.

**Chiradeep Ghosh:** So, overall your outlook on the asset quality would also be fairly good, right? Would that be a fair assumption in 2020?

**James Burdett:** Yes, we said that's an NPL between 3.5% - 4%, coverage ratio 90% to 100% and Cost of Risk 55 to 65 basis points. Also, metrics are a little bit higher than last year. 2019 was abnormally better across those metrics because of the impact, follow through impact of the purchase price allocation and the IFRS9 exercise and we're comfortable with that.

**Chiradeep Ghosh:** Well, that makes a lot of sense. Thank you very much.

**Operator:** We will take our take our next question from Shabbir Malik of EFG Hermes. Please go ahead. Your line is open.

**Shabbir Malik:** Hi, thank you very much. First question on your credit quality. I think you talked about – if you look at the NPL formation this quarter, it seems quite sizable and I think you talked about a couple of large accounts are driving that. And I think in terms – there is another disclosure in terms of restructured loans and there was also meaningful increase in that. So, if you can give us some comments on what drove those increases in both the NPLs and the restructured loans, maybe some color on the sectors that have driven that increase? And how do you see this trend changing in 2020?

**Shireesh Bhide:** Hi, so, I think on the -- I'll take the NPL formation question first. So, I think as James highlighted at the outset, quarter four saw a few large names contribute the NPL formation that you've seen in the numbers. And I think that -- that was again, I mean, in terms of all this to be a quarter-on-quarter movement that looks like a high number, but in the overall context I think it just recognises a couple of large names as part of a new process of recognising these names given where they were and given our view of those names going forward. So, in a sense, if we chose to recognise those at the back of a certain process that was ongoing in terms of trying to re-profile and re-structure them. And at a point where we felt the right thing to do was to classify them as an NPL, that's what we did.

So, it's again, I don't see anything other than this being part of our BAU process. It's just that these one or two names relatively contribute to that large number. Obviously, belonging to the construction and the real estate sector.

**Shabbir Malik:** And in terms of the – do you see this trend continuing, going into 2020, they may not be completely going into stage three, but maybe an increase in stage two loans - that would still be negative for Cost of Risk or provisioning?

**Shireesh Bhide:** Yeah. So, again I think as highlighted in the opening session. Our outlook remains soft for 2020, unless of course the wheels really started spinning driven by government spending towards the second half of 2020. But say for that if the outlook remains soft, obviously, we will continue to see headwinds on how corporate balance sheet evolve through this period. And what mitigates us particularly the FAB is the fact that we continue with our strong target market focus, with the large parts of growth coming from government and GRE related names. So, we have a sort of a built-in mitigant to the asset growth and quality story. So, I think we'll stay within the guidance numbers that have been put out for 2020 despite all of that.

**Shabbir Malik:** And one final question on your non-interest income particularly your FX income, that's been pretty strong this year. Do you see that as more sustainable or is there – there are certain one-offs which could lead to lower FX income in 2020?

**James Burdett:** Yes, so, the component parts of that particular line is the sales activity that global markets conducts on behalf of CIB clients that was up considerably. In fact we are looking to grow that considerably. There was an element that's related to trading, not significant. So, we think that's relatively sustainable, because when you look at our value at risk versus size of our balance sheet, we were actually relatively risk averse. So putting a little bit more risk to work I think makes a bit of sense to us. So that's sustainable. So, overall, yes, I think it's very sustainable. The one factor that will alter that is the ECB trade. So, if we are to see for example and I don't know this at all, but if the government deposits were to go out, then the ECB placements would go out, and we would see a commensurate increase in our net interest income and lower non-funds income related to that, which I think we explained many times in the past. So, that's the only real wild card - the level of government deposits.

**Arif Shaikh:** And in fact in terms of these cross-sell, if you can see we put out balance sheet over 2018 and 2019, and lot of the cross-sell we hope that will follow in 2020, so that will be probably one kicker which will happen in this space.

**Shabbir Malik:** All right. If I may, just one more question. In terms of your digital transformation particularly on the retail side, how much progress have you've achieved so far? When do you think you will be at the right level in terms of having the right digital capabilities?

**James Burdett:** Yeah, it's hard to give a hint, like, it's hard for me to say we are 90% or a 100% there because it's a dynamic thing and it's moving very, very fast and the competitors moving very fast. So, from my perspective, the way I read it, we'll never be there. The banks are constantly evolving and we're constantly investing to improve. But what I would say is we've given you some metrics there that show massive increases over the previous year.

We know our net promoter score which was no way near where it should have been has improved considerably. So, we are now on the right path, but there is still much to do. So, it's very difficult, 'lots to do', I would say would be the answer to that. And what I would say is, that 'lots to do', should generate into higher revenue productivity for us.

**Shabbir Malik:** Thank you.

**Operator:** As a reminder, if you would like to ask a question, please press *1 on your telephone keypad. I'll now turn to call back to Rahul, please go ahead.

**Rahul Bajaj:** Thank you, thank you John. If I may, this is Rahul Bajaj from Citi. I have a couple of questions actually. So, just looking at the guidance that you provided for 2020, and the medium-term aspirations, which is very useful, I'm just trying to think, what levers can the bank have to kind of move from 2020 guidance to the medium term aspirations. I mean from talking about greater than 15% RoTE to 17%-18% RoTE. So, what levers you will have there? And how do you quantify medium term? Is it 2022, 23, any clarity there would be very helpful.

And my second question is regards to margins. So, we've seen quite volatile quarter the fourth quarter in terms of margins, and you mentioned the couple of reasons why it should, why it went down. I'm just trying to understand what's the underlying trend in margin. I mean, if I have to look at it on a go forward basis for first quarter and second quarter, how should I think about margins. Should the fourth quarter number would be the starting point or are there one-offs, which I should back out. Thank you.

**James Burdett:** Okay. So to your first question, yes, we are committed to the medium term guidance. And we believe there is a lot of upside in successfully executing the strategy that we've announced already to the market previously. So, a couple of examples: 1) I have said in CIB space, we are under penetrated in the number of areas where, some of the GM Sales business, the high ROE businesses goes to foreign banks. We are now building up, dealing rooms, cash management platforms, trading platforms, and so on and so forth to compete with them. And I think as we get better people, better product, better distribution as I've said before, I think we can take market shares from those banks, because we have the relationship.

2) On the personal banking space, as we invest in the whole customer journey, we do have the lowest cost of funds, we do have one of the biggest distribution networks. We have a massive gold mine we are sitting on in the sense that we have the government payroll accounts and so on. And our cross-sell ratio it's nowhere it needs to be, so there is upside, considerable upside and very high return on equity. 3) In the international space, we know that some of our international locations are dilutive and we are pulling back in some of those areas where the metric is suboptimal, the cost income ratio, the return on equity whatever we are looking to address that. So we've been very, very disciplined with our balance sheet deployment. 4) We are looking at various M&A deals. And you would have seen in the market we have entered into exclusive talks with Bank Audi in Egypt, that sort of thing make sense, because it increases footprint in a country that we said where we are attracted to. So, I think there is lot of upside. And then on top of all of that, the investment that we are putting into the business is all designed to improve the cost income ratio and we are committed to delivering a cost income ratio below 25%. And in terms of your NIM guidance the – oh, sorry just to get at your question, we are talking 3 to 5 years in terms of the medium term guidance.

In terms of your NIM question, perhaps the NIMs I think the competitive tightening just about done. That was a big headwind for us in 2019 versus 18, particularly in CIB space. I think the competitive risk appetite tightening in the personal banking space is about done - that was a significant negative headwind in terms of NIM for our personal banking business in '19 versus '18. The government deposits as you know, we make decent return out of it, but it dilutes the NIM. We believe we will see some deposit outflows which is logical as the stimulus starts to kick in, but that should improve NIM.

And then, on top of that, we are looking at balance sheet growth, but we think the balance sheet growth will be in high quality assets which might result to a lower NIM. So, all of that jumbled together is a very difficult thing for us to predict which is why we didn't put guidance out there. I think for your calculations we are looking it about flat.

**Rahul Bajaj:** Thank you, that's helpful.

**Operator:** We can now take our next question from Mostafa El Belky of EFG Hermes, please go ahead, your line is open.

**Mostafa El Belky:** Thank you very much. So, on slide 14 you mentioned an increase in government spending in the outlook for 2020. Would you shed more light on this, so which sectors do you think we'll see this increased spending and also what is your view of credit growth?

**James Burdett:** Yeah, so we do see that coming through in terms of our pipeline. We see it in the areas that you would expect. So the strategic projects the government has committed to - the airport, the infrastructure projects, the Etihad rail, the nuclear power plants, tourism - that sort of things. What was your second question, sorry? Oh, credit growth, for the year. Look our best guess of GDP growth is around 2.5% growth. So, I'd expect the overall market to grow around that level in 2020.

**Mostafa El Belky:** Thank you.

**Operator:** We have no further questions at this time. As a reminder if you would like to ask a question on today's call, please press *1 on your telephone keypad. That is *1 if you would like to ask a question. We will pause again for just one more moment to allow everyone an opportunity to signal for questions. We have no questions at this time. I would now like to turn the call back over to today's speakers. I do apologise, we do have one last question, and that is from Waleed Mohsin of Goldman Sachs, please go ahead your line is open.

**Waleed Mohsin:** Hi, thank you very much it's Waleed Mohsin from Goldman Sachs. Just a question around capital. Even despite your growth trajectory, which has been better than the market, you still have a pretty good capital buffer and that continuous to build nicely as you deliver on your cost optimisation as well as the growth in the top line. Just wanted to get your sense despite being easily higher dividend in the market and looking at inorganic opportunities such as the one that you highlighted, how do you think about capital? Because if you think about medium term trajectory for FAB, will you think that you will continue to build up capital, which apart from a transformative acquisition or something which is material, would perhaps keep the leverage under check - are we missing something on this from our medium-term strategy perspective?

**James Burdett:** No. I think you are right. I think where we have a very significant ability to generate organic capital. We make a very nice return on our equity at just over 16% and we are looking to leverage it up to 17% to 18%. I think from our perspective what we said in terms of the medium term guidance is that we are looking to keep CET1 at 13% or above through the cycle.

So, that's how we're planning the CET1, because the rating is very important to us. If we want to maintain the AA rating it's very important for our cost of funds and various other things around liquidity. And obviously the 74 fils we've paid leaves the high CET1 better than it did this time last year. But as we said, we have got good opportunity, organically and inorganically, plus we have some regulatory uncertainties and regulatory headwinds potentially coming down the pipeline. So all of that taken into account, we think the 74 fils is a very robust dividend and equate to a yield of 5%.

**Waleed Mohsin:** Thank you very much. And just to add to that, obviously, the non-funded part of the income or the cross-sells are exciting, but on the other hand it's perhaps going to be the same question, it just adds to capital as your risk rate, utilisation on that would be limited or almost zero in certain cases as we are just doing a cross-sell. So, that's been very robust over the last one year. And you alluded to getting some of the global markets business as you build up from some of the international businesses. Just in terms of the sustainability of the non-interest revenue line, particularly the fee items et cetera. If you could just provide some more color in terms of what particular lines are you excited about going forward in terms of the global markets business as well as the fee income generation?

**James Burdett:** Yeah, yeah, really it's all of the above. So, if I take each business in turn, because you need to look at it on a segregated basis. If you look at personal banking, we've disclosed before our cross-sell ratio and that we are nowhere near we need them to be, we could double or triple them and still be in line with some of the best players in the market. So, that represents massive upside right across the board - be it currency exchange, cash management, fees, remittances whatever the case maybe. And, I think for us, we are sitting on huge number of accounts where we have the ability to improve the cross-sell.

And in the CIB space it's the usual suspect. So in global market sales, selling the hedges, the derivatives, the money market placements and so on, payments and cash management, there's an incredible number of GCM mandates that we've issued, because of our position and our international presence, we have one of the most superior offerings in the market. DCM, we build up a very capable DCM team. And I think just as with the big picture or the macro picture is - as the foreign banks shrink, because they can't compete with the big local players, whereas the big local players or the domestic players get better and better and better. We are taking business off them and I think that's going to continue.

**Waleed Mohsin:** Thank you very much. Thank you.

**Operator:** We will take our next question Abdullah Altuwaijli of NCB Capital. Please go ahead. Your line is open.

**Abdullah Altuwaijli:** All right, thank you for the call. My question is regarding your presence in Saudi. So, if you can elaborate more on your market share, how is it evolving, your strategy, your target market and types of products? Thank you.

**James Burdett:** Yeah, as you know we've just opened up in Saudi. We've now got three branches there. It's very much in its infancy because we just started the business at the moment it's predominantly a CIB based. So, we're focusing on different banking activities around IPOs and that kind of activity which I think makes sense.

I think in terms of market share, it's very, very small. As you know the top five players are who dominate the market share. So, we know we need to be different than what we are doing in leveraging our connectivity with Abu Dhabi and Abu Dhabi with Saudi Arabia and to pick up some of those deals. And one pleasing plus point in that was the fact that we were on the Aramco IPO. And we were the only bank in the UAE on the Aramco IPO. So, that gives you a flavour of what we are trying to do.

On the retail space we said we want to have the guy setting up the retail presence there. We know we can't do with bricks and mortar and we are looking to use our digital proposition there and see how it goes. But it is very, very much in infancy.

**Abdullah Altuwaijli:** Thank you.

**Operator:** There are no further questions. I would now like to turn the call back over to Sofia for any closing remarks.

**Sofia El Boury:** Thank you. Thank you everyone for joining this call. If you have any further questions please feel free to reach out to myself or Abhishek or the IR team. And the replay for this call will be available shortly. So, thanks again. And have a great day.

**Operator:** This concludes today's call. Thank you for your participation. You may now disconnect.