FAB Q2/H1'2018 Earnings Call Transcript*

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Naresh Bilandani: Hello everyone. Welcome to the second quarter 2018 results call for First Abu Dhabi Bank which J.P. Morgan is very pleased to host. My name is Naresh Bilandani and I am the MENA Banks analyst with J.P. Morgan in Dubai.

Joining us from FAB today are James Burdett, Group Chief Financial Officer, Karim Karoui, Group Head of Subsidiaries, Strategy and Transformation, Arif Shaikh, Group Chief Risk Officer and Sofia El Boury, Head of Investor Relations. Please note that this call is not intended for the media, so media personnel should disconnect from this call please. The presentation for the call is available on the website so I will pass the floor to Sofia now to commence the presentation, thank you.

Sofia El Boury: Thank you very much Naresh. Good afternoon, good morning and thank you for joining us today to review FAB's financial performance for the second quarter and first half of 2018. A quick reminder that the IR deck we will be using today is available on the IR section of our corporate website as well as on FAB's IR app. Before we start, just a quick reminder that the FAB pro forma condensed consolidated interim financial statements as of 30th June 2018, serve as the main basis of reference and preparation for our Management Discussion and Analysis Report and for our investor presentation. So with this, I will pass it onto James for the presentation.

James Burdett: Thank you, Sofia. Good afternoon everybody. Thank you for joining the call today. Let me start off by apologising, my voice is a little bit croaky so I might cough a little bit through the presentation, so if that happens I apologise. For those of you with the investor deck, I will do what we usually do which is go through it at a pretty rapid clip and then there is plenty of time for Q&A at the end of the session. So starting on Page 3 which I think is a key summary and which succinctly highlights most of the good news.

Profits for the quarter at AED 3.1 billion was up 19% over last year. Profits for the half year at AED 6.1 billion is up 10% year on year. We also see significant momentum building in the balance sheet. You can see deposits are up AED 54 billion year on year which is very significant. Loans are up AED 25 billion or 7% year on year and we are starting to see a good fee income come through the non interest income which I think is also a proof point of the momentum that's building.

Synergies very much on target, we are at AED 770 million against the AED 1.5 billion we put out to the market recently and well on track to achieve that.

The balance sheet remains very strong. Advances to deposit ratio is at 80%, the liquidity coverage ratio is above 120%, NPLs are flat at 3.1% with a strong coverage ratio of 123%.

And as a result of all of that we are looking to revise guidance upwards.

Turning to Page 4 which is the detail page, I will skip most of the line items there because we will be covering them individually as we go through the presentation. But one thing I do want to call out is revenues are up 5% year on year but down 1% half on half. But I think it's worth calling out that in the first quarter 2017 we had about AED 400 million one-offs related to AFS gains in our bond portfolio.

And in terms of key ratios as I mentioned before, all looking very strong particularly the cost of risk which was 53bps, significantly lower than the 71bps for the prior comparative period, which is obviously a big boost to NPAT year on year.

Turning to Page 5 which is how we performed against the guidance we put out to the market, so on the lending side we're at 7% year on year and we said mid-single digit. Against all of these metrics we've exceeded except for the revenue one, where we said low single digit and it's down 1% year on year. But as I iterated already, there's AED 400 million of one-offs last year and we're confident of hitting the low single digit by the end of year.

Cost to income ratio now at 25.7%, return on tangible equity at 17% and core equity tier 1 back over 13%. And I think when we get to the last slide you'll see that when we put the deal rationale together we defined financial success in 2020 as a cost to income ratio of 25%, return on tangible equity between 16 and 17%. And we've already achieved those benchmark metrics so we will be looking to revise that guidance.

Turning to Page 6, just a snapshot of some of the strategic initiatives and how we're executing against those. You'll recall legal day one was 1st April last year. We are looking for Customer Day One towards the end of this year in November and in fact just this last weekend we had a rehearsal for the full crossover and it's given us a significant boost of confidence that we're well on track to achieve that for November.

The synergy momentum I've already talked is but well on target to hit the AED 1.5 billion by 2020.

In terms of the international operations, the launch in KSA is proceeding well. We're looking to try and deliver that by the third quarter. We've exited Lebanon. We've also announced the sale of Jordan. We're merging Dubai First into personal banking and there will be some synergies there as well. And we're continuing to invest in the business with a significant uptake in spend related to digital marketing, strategies and various other things so continuing to invest in the bank as well.

Page 7, just a snapshot of the balance sheet you can see really significant growth in the balance sheet. On the assets side it's mainly driven by CIB, also trade-related business and good growth out of our Asia operations. In terms of deposits, up a whopping AED 54 billion over the last year which has pushed our advances to deposit ratio to a record level of just under 80%. But obviously as you're aware a lot of that surplus liquidity is deployed into Central Banks which has a dilutive impact on the NIM calculation and we'll come to that in a moment.

In fact we come to that on the next slide which is Page 8. So you know the story for NII continues to be the same. NII growth is broadly flat and we think it'll finish the year broadly flat to last year with several movements going on in the NII line. So first of all we've got some competitive tightening in CIB. In the personal banking business we've got risk appetite tightening as we run off some of the high yield, high risk portfolios. We've also tightened risk appetite around the mix of business we're looking to do in personal banking. And all of this we believe will lead to higher risk-adjusted returns which I think you can see coming through in the cost of risk line.

One other point I've noted is that all of that is being broadly offset by the rate hike growth, and as we continue to build balance sheet momentum we expect the NII line to start to grow from next year.

In terms of the mathematical calculation of NIM on the top right hand side of Page 8, the main movement between Q1'18 and Q2'18 is essentially the uptake and deployment of surplus liquidity placed at the Central Bank. That impact alone is about six or seven basis points.

Turning to Page 9, healthy growth in the non-interest income mainly on the back of loan related business and trade related business which you see is up 14% and 8% respectively.

And in fact if you back up the AED 400 million in one-off gains last year, non-interest income is up about 10% over the prior comparative period which I think is another proof point that we're getting some solid growth and business momentum building.

Turning to Page 10 on costs, as I said earlier cost to income ratio already close to the 2020 target at 25.7%. The synergy execution is going well and we're well on track for the AED 1.5 billion that we talked about earlier. We've changed the phasing of cost synergies for 2018 from 55% to 65% to reflect the fact that we have faster synergy realisation. And the one-off integration costs are in line with budget. And if we complete Customer Day One at the end of this year we'll have achieved the whole UAE integration well ahead of schedule, in about 20 months versus the two to three years that we put out to the market.

Slide 11 asset quality remains very healthy, NPLs are flat at 3.1% and you can see it's been broadly flat for the last few quarters. The big change is the cost of risk which is down to 50 odd basis points. And the main reason for that as you know is the same as the first quarter story which is the IFRS9 process that we completed at the end of last year and the purchase price allocation which was revaluing in the assets of the legacy NBAD book.

On slide 12 we've made significant progress in terms of RWA optimisation and also significant capital generation on the back of record profits that's brought our core equity tier 1 ratio back up to over 13%. And I think more importantly if you look at the bottom right hand side of Page 12, the return on tangible equity is up 17% from just under 15% last year. In terms of RWAs you can see some of the RWA optimisation initiatives coming through and actually despite the growth on the balance sheet, our risk-weighted assets are actually down from March. And that's pushed our return on risk-weighted assets up to 2.5%.

And then the last slide I want to cover really is the revised guidance that we want to put out to the market. So I think starting with profit we said mid-single digit, we're now revising that up to 8-10% and there will be commensurate impact on return on tangible equity at 16-17%. This is mainly driven by a reduction in cost of risk and we've revised the cost of risk guidance down from 65-75 basis points to 50-60 basis points and also on the back of better than expected synergies we're looking for a lower cost to income ratio of 25 to 26%. We think loan growth will be high single digit now and we're sticking to revenue at low single digit.

So all in all I would say a very positive story and you can see on the far right hand side, slide 13, the 2020 ambitions we put out to the market we've actually already achieved. So at some point we'll need to relook at the guidance, maybe as part of the exercise for next year.

So just to sum up, in a year of integration I think the bank performed extremely well with a strong track record of executing the strategy particularly around the international piece, the systems integration piece which is well under control, and delivering outperformance on results so we're very pleased with the results.

So with that as Sofia said, we've got Karim, myself and Arif here. Over to you for Q&A.

Sofia El Boury: We can open the floor for Q&A please.

Operator: Thank you, Ladies and gentlemen, if you would like to ask a question, please press * followed by 1 on your telephone keypad now. And if you change your mind and wish to withdraw your question, it's * followed by 2.

Our first question today comes from the line of Vikram Viswanathan of NBK Capital. Vikram your line is now open.

Vikram: Yes thank you for the presentation. I have two questions. My first question is your new guidance and cost of risk of 50 basis points, is this the guidance for 2018? Or is this something which is sustainable over the medium term?

My second question is on the FX gain and the other operating income. The FX gain went up from AED 260 million to AED 560 million year on year. Similarly the other operating income went from AED 50 million to AED 165 million. Are these recurring or is there a one off element in these line items?

Arif Shaikh: Hi I'll just take the first question on the cost of risk. So the guidance that we are setting out is for 2018. Obviously, there are many moving parts in the economy at this point in time. The portfolio is good and stable and continues to remain stable but I think closer to the year-end we will look at 2019 and 2020.

James Burdett: And to the second question there are a number of elements that go into that line item. So basically it's mark to market on our derivatives business on the back of customer activities where we've seen significant growth in activity. There's also the impact from the placement of surplus liquidity into the ECB which we swap back to dollars, which obviously has an impact on the net interest income line that is affected in the FX and investment line. And I think when you look at those numbers you need to look at the two line items together as a combined. It's just the way the accounting works. In terms of one-offs, the only one-off that we had in Q2 was a property sale relating to our property in Hong Kong which was about AED 100 million.

Vikram: Just going back to the question on cost of risk given that you have revised your guidance for 2018 related to this point, is this because of certain write backs and recoveries you had during the year? What is contributing to this decline in cost of risk?

James Burdett: I think it's mainly the guidance we gave at the first quarter results which is we went through an IFRS9 transition exercise and we also went through a purchase price allocation exercise where we've fair valued the assets of the legacy NBAD book. And on the IFRS9 we looked at mainly the retail banking books. And on both of those we took an impact against capital which you can see through the financials therefore resulting in a lower cost of risk which is logical. One other thing I would say is we are starting to see the peaking of NPL in our retail banking business and it's starting to decline so all in all I think it's a good news story on the cost of risk. And remember strategically we are trying to change and tighten risk appetite and go for a higher risk adjusted return.

Vikram: You actually mentioned the increase of FX gain which went from AED 261 million to AED 561 million, you mentioned that part of this is the FX swap income, right?

James Burdett: Yes.

Vikram: How much of the incremental income is from FX swap income?

James Burdett: It's a number we don't disclose but I think it's roughly AED 100 million.

Vikram: All right thank you.

Operator: Our next question today comes from the line of Chiradeep Ghosh of SICO. Chiradeep please go ahead.

Chiradeep Ghosh: Thank you for hosting the call. I have two questions. First one is you seem to be positive on the lending book growth in UAE although we are reading different kinds of news in the newspaper and media. But of course you have a much better clarity of the ground reality. If you can throw some light, from which sectors do you believe the primary lending will still come especially over the next 2018/19 period?

And my second question is if you can throw some more clarity on the CASA deposit and what exactly is happening there?

James Burdett: On the lending side obviously you've seen we've had significant growth. So a lot of it is out of our Asian operations. A lot of it is in our payments and cash management business around trade but also we have a very healthy pipeline and we can see as we said in past calls that at some point we expect a significant pickup in activity in our traditional pipeline base which is the government, the GRE and so on. So we are starting to see that coming through and we do have a healthy pipeline.

On the CASA, it's a big strategic goal for us to build CASA. It's a sticky deposit with good liquidity and it makes a lot of money for us. We're rolling out cash mandates as fast as we can. The movement you see QoQ is just one single account where the money came in. It was in over the last quarter end and went out the second quarter, so it's just a one-off.

Arif Shaikh: You mentioned the Government of Abu Dhabi which is I think what you were alluding to. I think the government is borrowing so we are seeing good traction. There's good pipeline in addition to the incentives that have been announced a couple of weeks back. We see that growing through that as well. So there are a number of options. The pipeline is looking good; the government is back in terms of that.

Chiradeep Ghosh: Just to continue on my first question if you can please remind us what comprises the sector of the banks particularly in the lending book category? Not specific names but what exactly does that comprise of?

James Burdett: It's related to FI trade lending transactions. That's a healthy book that we've seen over the years and we continue to build that.

Chiradeep Ghosh: Thank you very much.

James Burdett: One other thing that's worth calling out and we forgot to mention is obviously the significant stimulus package announced by His Highness Sheikh Mohammed that will obviously add a significant boost to GDP within the UAE, and we obviously are well positioned to benefit from that as well.

Operator: Ladies and gentlemen, as a reminder it's * followed by 1 to ask any further questions.

Naresh Bilandani: Hi, if we are allowed to take more questions can I just please pose one? James, just I know you did answer the question on the CASA deposits but overall within the system could you please throw some light on the deposit pricing environment at this stage? I know we've had a good LD ratio across the system level but what we have seen in FAB we also saw in ENBD which was a slight shift away from the CASA deposits mix. So any color you can provide on the deposit pricing, like what you have within the three months and six months tickets would be very helpful.

James Burdett: Yes I think there's no question that the cost of funding has gone up. You can see that reflected on Page 8 of our slide deck where you see the cost of customer deposits is up over last year. But also the amount we charge on our assets is also up by an almost commensurate amount. So in terms of our net interest income, we're really pushing the CASA story because we pay virtually zero on our CASA accounts. We behaviourise them as long term liquidity which means we can use it and leverage it more effectively so we're pushing that. I guess what you're referring to is we showed significant growth in the first quarter and we're showing a reduction in CASA this quarter. That was just one customer, one amount that flew in and flew out. If you factor that out we are still showing very good growth in our CASA year on year.

Naresh Bilandani: And when you mentioned during the call you mention that roughly about 7 bps of NIM impact is a result of your placement with the Central Bank. If you were to exclude this one-off impact is there any trend that you can provide on how has NIM worked out through the past couple of quarters?

James Burdett: Yes if you back out the surplus liquidity, we've essentially got two stories. One is risk appetite tightening in the personal banking book which has led to negative revenue headwinds because obviously we're running down high yield assets. But we expect it to be a higher risk adjusted return, i.e. a lower cost of risk. The second is we've got competitive tightening in the CIB book which is just normal competitive pressure where all the banks are chasing the very good quality assets.

And then those two items have been broadly offset by Fed rate hikes so our NII is broadly flat on that basis. But volumes are growing. The run off of the high yield book is almost done and we're expecting NII growth to resume from next year.

Naresh Bilandani: Understood thank you.

Operator: Our next question today comes from the line of Shabbir Malik of EFG-Hermes. Shabbir please go ahead.

Shabbir Malik: Thank you and thank you for the presentation. I just have two questions. The first one you've talked about selling your asset in Jordan. I just wanted to hear your thoughts on what the likely financial impact of this transaction will be and when can we expect it to materialise? Or in which quarter can we expect this to materialise?

My second question is related to the interest rates and credit quality. Given that we're moving in an environment where interest rates are rising, there's potentially another rate hike in the third quarter, how do you see that affecting your credit quality and your cost of this prevailing forecast? Thank you.

James Burdett: I'll take the first question. So on Jordan we're looking to execute the sale in the second half – not sure whether it will be a third or fourth quarter event but it'll definitely happen this year. In terms of financials it's something that we're not disclosing at this stage.

Now in terms of interest rate hikes and the impact on cost of risk...

Arif Shaikh: There are two ways to look at the book in terms of Personal Banking (PBG). As James alluded to we are basically getting out of the high risk book and more into the secured segments. So with the secured segment we do not anticipate an issue on this year. Besides really we have not seen any borrower who has had issues with the interest rate hike. I think we have managed it pretty well. So I don't see that as an issue. It potentially could have been an issue on the PBG side but with the shift in the way the book is happening for most secured portfolios, I think we should be able to manage that well.

Shabbir Malik: Thank you very much.

James Burdett: Sorry just to clarify your question I don't think I answered it properly. On Jordan the financial impact will be immaterial.

Operator: And our next question today comes from the line of Metehan Mete of Waha Capital. Metehan please go ahead.

Metehan Mete: Hi thanks for organising the call. My question would be around how you feel about the Abu Dhabi commercial real estate market? Do you see pockets of stress in terms of the companies' ability to service their debt interest payments? And do you see some stabilisation in the real estate markets generally? Like borrowing, loan book but also across the sector, thanks.

Arif Shaikh: In terms of the real estate market, I'm sure you've read all the reports which are floating in the market, potentially talking about more corrections in the offing. I will segregate my answer into two parts.

One is clearly the borrowing book because we have a real estate book. Now that real estate book has been flat or so in the last quarter of 2017, so really there has been pay offs and additions, so there's really nothing much.

In terms of the real estate that we manage for our customers and which gives us substantial debt collections quarter on quarter, our customers have been able to manage their downturn.

There has been a reduction in rents so you will have seen that, even our customers have seen that as well, so in terms of the installments they need to pay, the servicing of debt that they need to do, it's generally been okay. For the market where I'm not a punter, I wouldn't predict what the market is going to do – clearly with the supply that we've seen it's probably headed south but how south we do not know at this point in time. In terms of both obligors and customers for whom we manage property, to give you statistical data for the properties that we manage we still have 90% occupancy levels which is very, very healthy. So we'll see how this goes but it's not alarming at this point in time.

Metehan Mete: Thank you.

Operator: Our next question today comes from the line of Sahil Kumar of Moody's Analytics. Sahil please go ahead.

Sahil Kumar: Hi this is Sahil from Moody's. Actually part of my question has already been answered but I have just one question on the excess liquidity that you have. So how do you seek to deploy your existing excess liquidity going forward in the next coming quarters and going into 2019 as well? How should we think about the deployment of the excess liquidity that you have in your balance sheet? That's my question.

James Burdett: Yes it's a good question, so if you look at the financials you can see the balance that we have with central banks at the moment is around AED 100 billion and it's a record high basically. We're the fortunate repository of significant deposits from government, GREs and various other businesses. Just like all banks, we behaviourise our liquidity into core liquidities and non-core. The non-core liquidity essentially can't be behaviourised for the longer term placement and because they are true operational accounts - i.e. money comes in, goes out, comes in, goes out just like an overdraft or something - we place that short term at central banks where we pick up a term, so we make the spread. There is zero incremental risk weighted assets but it just increases the balance sheet footing and therefore dilutes the mathematical calculation of NIM.

Clearly we have a robust ALCO process where we look at balance sheet management, we look at funding, the cost of funding, how we deploy our assets, the risk adjusted returns we're getting on those assets to maximise. But that operational liquidity we have no choice but to place with central banks.

And as I mentioned earlier when we place it with the ECB it is a negative spread so we swap it back to create an economic transaction for us. But I think when you're looking at your models and you're trying to calculate NII it probably makes sense to take out the Central Bank bit because it just confuses the market.

Sahil Kumar: Okay understood. Thank you so much.

Operator: Our next question today comes from the line of Janany Vamadeva from Arqaam Capital. Janany please go ahead.

Janany Vamadeva: Congratulations on the numbers, and thank you for your call. This is Janany Vamadeva from Arqaam Capital. I just have a couple of questions. Just wondering whether you completed your international rationalisation exercise so you've already decided which businesses you are going to exit and which ones you are going to keep? And following that just wondering whether that is already included into the AED 1.5 billion cost synergy target or can we see anymore upside to that AED 1.5 billion?

James Burdett: Yes I think what we said last time on the international strategy was that we were rationalising, we essentially said we wouldn't do retail banking cross border except for Saudi Arabia and Egypt which are two big markets that we're looking to grow in. And we still have further rationalisation to do. So far in terms of execution we've executed Lebanon and Jordan. Jordan will happen in the second half but there's still more to do. And in terms of the AED 1.5 billion target, yes it also factors into that, the plans we have for our international operations.

Janany Vamadeva: Okay.

James Burdett: So the next big block of synergy save is obviously after we go to Customer Day One in November, then we have the ability to rationalise the whole operations and IT because we're running two platforms at the moment so that's one big save. We still have further international rationalisation to do but these things take time, but we're well on track to hit the AED 1.5 Billion target by 2020.

Janany Vamadeva: And in terms of the one-off gain of approximately AED 100 million from the sale of the office premise in Hong Kong, so when you go ahead with further international rationalisation would you expect to realise any similar gains in the future? Or is it that you don't have any such opportunities going forward?

James Burdett: No, I think there are always opportunities but there’s obviously ups and downs depending on the market and where we are and what we’re looking to do. I think in Hong Kong we had an office that was no longer fit for purpose. It was sitting on a significant mark to market gain so we took the opportunity to sell it. I think we’re in the midst of planning to go to a lower cost premises there.

But there are other opportunities. We can never say no and we’re always looking at them. There will be one-off gains; there’ll be one-off losses as well.

Janany Vamadeva: Thanks and just one more quick question. I think we’ve been talking about the CASA deposits but just trying to understand – if the government’s non-core deposit I would assume would be in CASA then most of the increase in time deposits would come from corporate or retail. Is there any way to shed expensive time deposits so that you can improve your cost of funding because you already have a very comfortable LTD ratio? And given rates are going up, that leaves room for you to increase your utilisation ratio, so would you consider that? Or is there a reason that you want to keep or build the time deposits?

James Burdett: No I think you need to have a balance. Obviously you need different maturities out on the liability side, but our game plan is in fact to replace our time deposits for CASA. And CASA are a great sticky liquidity. We’re really looking to push that. We’ve got the platform that we’re rolling out, we’ve got the customer base and so yes, we shed expensive time deposits all the time. In fact one of the big benefits of bringing the two banks together was using the AA- ratings for both entities and at that point in time we did shift some very expensive deposits sitting in Asia and various other places. So we’re constantly looking to optimise NIM but the CASA growth is a slow burn. I can’t remember how many mandates we’re doing a quarter. But as we roll out the mandates and as the CASA balances build up and the behaviourisation takes some impact there is a time factor that you need to build into the growth there. But we really are looking to push that and we’ve got various projects around that, that are being run by our cash management team.

Janany Vamadeva: Just a final question from me before I wrap up, most of the growth came from bank lending; just trying to understand what is the difference between bank lending and interbank that you have on the balance sheet?

James Burdett: Yes basically trade FI business which is short term trade financing for banks so we discount their bills. It’s a good business. Previously I think it was fair to say that it was a low margin business with high Central Bank provisioning against it but now with the IFRS9 regime it makes sense to ramp up that business now.

Janany Vamadeva: Thank you very much.

Operator: And as a final reminder, ladies and gentlemen please press * followed by 1 on your telephone keypad to ask any further questions. Our next question today comes from the line of Alok Nawani of Ghobash Trading and Investment. Alok please go ahead.

Alok Nawani: Good afternoon gentlemen and thank you for the opportunity to ask the questions. There are two questions from my side. The first one is on your revenue guidance for this year where you are saying it's expected to be low single digit while you mentioned your net interest income is expected to remain flattish. So accordingly I'm just wondering what pockets of your non funded income could drive the growth for the remainder of the year? That's one.

The second is your loan growth guidance upgrade from mid-single digit to high single digit, obviously it's premised on increased capex from government and GRE related spending which is multi year. So accordingly the quantum suggests to me, and please correct me if I'm wrong that perhaps this capex spending could be more front loaded than evenly spread out? I'm not sure if that's the case. I would like to get your view on that? And also if you think that this kind of growth rate would be sustainable for the next one or two years beyond 2018? Thank you.

James Burdett: So in terms of the revenue drivers, I said NII will be broadly flat but this is assuming no more rate hikes. So there are tailwinds there if the rate hikes go through. We also had significant one-offs in the prior comparative period which muddied the water in terms of growth year on year. But as you can see through the financials, the non interest income comes up 10% year on year. We're starting to build up significant momentum in the balance sheet and you can see that come through trade and loan related fee income driving a lot of the non interest income growth. We also have a world class global markets dealing room that is doing increasing amounts of customer business in the form of derivative hedging and so on so forth. So you'll see in the FX and the investment income lines growth there as well which is also coming through.

In terms of your question around loan growth, yes we've already grown 7% year on year, so we're already high single digits and we see a very, very healthy pipeline come through. And we also think we're well positioned to capture from the stimulus packages that were announced recently. Unlike some of the other banks we've also got a big international presence and we're seeing good growth out of Europe, Asia and even in America. So I wouldn't say it was front loaded. I would say we've got a nice pipeline coming through with drawdowns dependent on the respective businesses.

Alok Nawani: And do you believe this growth rate could be sustainable as of 2019 as well?

James Burdett: The bank is really a leveraged player on GDP, we are expecting an uptake on GDP this year. We think the stimulus package will also drive growth next year in the market, and we're quite optimistic that we'll be able to continue to grow into 2019. Remember we are expecting an uptake in government spending and we want to be the main bank that captures that, but we're also quite bullish on some of our international operations. And we see huge market potential in Saudi Arabia and Egypt for example – two geographies that we're focusing on.

Also you know we should be honest and reflect that running two platforms is very difficult for our personal banking business and when we go to Customer Day One, i.e. all customers on one platform, there's a lot of upside there in terms of cross-selling into the customer base and really leveraging that. So yes I think we're looking to continue to grow, we're very optimistic.

Alok Nawani: Good thank you very much.

Operator: We currently have no further questions so I'd like to hand back to Naresh for any further remarks.

Naresh Bilandani: Great thanks then. If there are no further questions let's end the call here. Thanks to the FAB management team for speaking with us today and providing color on the results, and thanks to all the participants for joining. Good day everyone thank you.