FAB Q4/FY'2018 Earnings Call Transcript*

Co-hosted by EFG Hermes
Thursday, 31 January 2019
5:00pm UAE Time

Co-host
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EFG Hermes

FAB speakers/participants

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Other participants

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Operator: Good day, and welcome to the First Abu Dhabi Bank Q4/FY'18 Earnings Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Rajae Aadel. Please go ahead, madam.

Rajae Aadel: Good morning and good afternoon, everyone. On behalf of EFG Hermes, I am pleased to welcome you to First Abu Dhabi Bank's Fourth Quarter 2018 Results Conference Call. We are delighted to have with us today on the call Mr. James Burdett, Group Chief Financial Officer; Mr. Karim Karoui, Group Head of Subsidiaries, Strategy and Transformation; and Ms. Sofia El Boury, Head of Investor Relations. Please note this call is not open to media.

Without further delay, I hand it over to Sofia to start the presentation. Then we will open the floor to Q&A. Sofia, please go ahead.

Sofia El Boury: Thank you, Rajae. Good afternoon, good morning and thank you for joining us today to review FAB's financial performance for the full year 2018. A quick reminder that the IR deck we are using today is available both on the IR section of our corporate website, as well as our app. All our disclosures today are also available on ADX website, so they are fully accessible. Also reminding you that FAB's pro forma consolidated financial statements as of 31st December 2018 serve as the main basis of reference and preparation for our management discussion and analysis report, as well as our investor presentation.

We have with us today James, our Group CFO; Karim, our Group Head of Subsidiaries, Strategy and Transformation; our Chief Risk Officer, Arif Shaikh; as well as our Group Chief Credit Officer, Shireesh Bhide. So they're all here to answer your questions at the end of this presentation. So with this, I pass it on to James for the presentation.

James Burdett: Good afternoon, everybody, and welcome to the call. Thank you Sofia, and thank you very much for attending on what is a Thursday afternoon at 17.00. For those of you who've heard me talk before, I'm going to go through the presentation at a pretty rapid clip so that we have time for Q&A at the end of the session.

So I'm starting with page 3 of the investor presentation, which I think is a good summary and sums up the performance for the full year 2018. At the end of the day, I think we had a fantastic performance with a record profit of AED 12 billion, which is up 10% year on year. Significant balance sheet growth, both in assets and liabilities, and even ex-one-off revenue, growth is satisfactory.

When you look at maximizing shareholder value, we've got dividends of just over AED 8 billion, which is an increase of 6% year on year and represent AED 0.74 or a dividend yield of approximately 5%. And I think what makes this result even more special is that we did this in a year of integration. And as many of you will know, in December, we integrated the two banks in the UAE to bring us on one platform, which is the unified platform for selling products going forward.

Synergies achieved life-to-date of 75% or AED 1.1 billion, so good progress there and obviously further synergies to come next year now that we've integrated from an IT perspective. So in 2019, we expect to start from a position of strength. All the ratios are healthy. Our NPL ratio is at 3.1%, Core equity tier-1 (pre-dividend) is at 14%, Cost to income ratio (ex-integration) around 26%. And for those of you who've seen some of the press releases, the board has proposed to increase the foreign ownership limit from 25% to 40%, obviously, subject to regulatory approval and shareholder approval at the AGM, which is scheduled for 25th February.

Turning to page 4, which just a summary, a snapshot summary of the P&L and some of the ratios. You can see, as I said before, profits up 10%, which is over AED 1 billion year on year. This is mainly driven by lower costs. The costs are down 8% or AED 400 million year on year on the back of synergies, which I'll talk a little bit more about later. It's also down on the back of a lower cost of risk. Total cost of risk for the year finished at 48 basis points, down from 69 basis points from 2017 and that is AED 650 million better year on year.

Revenue was flat year on year but if you back out some of the one-offs that we recorded in the first half of 2017, we're up 3%. Balance sheet growth was strong with loans up 7% and deposits up 18%.

Again, looking at the key ratios, Cost of risk 48 basis points, Return on tangible equity above 16% and Core equity tier-1 ratio at 14%. All in line with the guidance we put out for 2020 when we came out with the original deal rationale. So very strong performance in what was the year of integration, which is a good segue into page 5, which shows our performance against the metrics we put out to the market. And you can see on page 5 that against all these metrics, we've outperformed or we're at the top end of the range. So a good result overall.

Turning to page 6, I've already talked about the dividend. But I think the chart shows a nice evolution over the last six or seven years and you can see obviously a record dividend of AED 0.74 or AED 8 billion for 2018.

Turning to the next page, which just looks at the journey to-date, obviously, we've been very successful on the integration. I've talked a little bit about that. But also in terms of executing our international strategy, we've launched KSA and we have a significant and very healthy pipeline in that business. We've also exited a couple of the suboptimal countries. So this year we closed Malaysia. We also exited Jordan and some of the suboptimal countries we're looking to exit in 2019. But Saudi Arabia is a very exciting one and we do have a significant pipeline there.

Turning to page 8, I think it's an interesting slide. We talked about the synergies before being at AED 1.1 billion. But you can see our cost line is back to almost the 2012 level. So it shows you, I think, the success of the integration. And the synergies will continue into 2019 with further synergies to be made on both operations and IT. But also we have a pretty significant transformation agenda where we're looking to digitize our customer journeys, but also make the operations much more efficient in 2019.

Turning to page 9, just looking at the one-off integration costs. On the bottom part of slide 9, you can see we're now revising our guidance downwards to AED 900 million from AED 1.1 billion we put out there. We think we need another AED 100 million this year just to wrap up and tidy up a few things relating to integration as a spillover from December last year. In terms of the synergies, I've talked about that. We're at AED 1.1 billion or 75% of the AED 1.5 billion we put out to the market and we're confident of closing that gap in 2019.

Looking at balance sheet momentum on page 10, as I said before, very strong growth, up 7% year on year or AED 21 billion. Most of that growth in CIB, partly trade but also good growth from our Asia franchise. And we have a strong pipeline going into 2019.

On the deposit side, you can see we're up 18% or AED 70 billion year on year. That's largely driven by government flows but it's very pleasing from our perspective to see CASA growing at 6% to AED 159 billion year-on-year because obviously it's good sticky liquidity and very profitable business. The liquidity ratios remain strong and we're at 118% for the liquidity coverage ratio.

Turning to page 11, It's the same old story on net interest margin. So when you look at the dollar value of that, you can see it's broadly flat year on year with the income from rate hikes broadly offset by tightening in CIB because of competition, and also risk appetite tightening in personal banking and competition and personal banking broadly offsetting those rate hikes.

If you look at the net interest margin on the top right-hand side of page 11, you can see that the spread has gone from 2.48% down to 2.36%. That's almost entirely due to the management of excess liquidity. And in fact, when you look at the government deposits, you can see they've grown from AED 78 billion to nearly AED 140 billion, up AED 63 billion year on year. And our placements with the Central Bank are now at AED 180 billion, up nearly AED 50 billion year on year. And obviously we deploy that into Central Banks and that's the reason why you see about a 20 basis points impact on the mathematical calculation of NIM.

Looking at the performing loan yield, you can see it's risen nicely but not at pace with EIBOR because of the competition, mostly in CIB and Personal Banking. And again the cost of deposit hasn't risen at the same pace as EIBOR because of the CASA balances, which have grown.

Turning to page 12, just looking at non-funded income. It's complicated but let me sort of try and explain it for you. So total non-funds income is flat year on year. If you back out the AED 400 million of AFS gains in the first half of 2017, it's up just over 10% year on year. Breaking that down into fees and commissions, you can see they're broadly flat, 1% year on year. We have significant growth in CIB, which is up around 12% but personal banking's down. And that's the reason why you can see a drop-off in the fourth quarter, mainly relating to the integration where sales dropped off in the fourth quarter. But obviously we're expecting that to pick up in the first half next year.

Looking at the FX and investment income, you can see it's up significantly or 11% year on year. If you backup those gains I talked about earlier, the AFS gains, it's up more like 20% year on year. And the main reason for that is the deployment of excess liquidity into the Central Banks. The FX swaps that we used to hedge that position obviously generates significant revenue and it's recorded under that line in the financial accounts.

Other operating income is down year on year mainly because we recorded property gains in 2017 versus around AED 100 million property revaluation hit that we took in the fourth quarter of 2018.

Jumping onto costs, I talked about that before. Cost to income ratio, ex-integration cost, just below 26%. A little bit of an uptick in the fourth quarter, mainly relating to the salary increases. But as I said before, we've got further synergies to realize in 2019, as well as some transformation initiatives; we can talk about maybe during the Q&A.

Page 14 looks at the cost of risk, which is down to 48 basis points year on year from 69 basis points. That's mainly as a result of the purchase price allocation, where, we were very conservative in fair valuing the net asset value of NBAD as part of the acquisition accounting. But also the IFRS 9 provisioning, which happened from the first day of January 2018, where we took a conservative day one implementation of the ECL model through retained earnings. So that had a really positive impact on our profitability year on year. Coverage ratio remained strong at 110% and NPLs stable at 3.1%.

Looking at the capital position on page 15, you can see our core equity tier-1 in December is at 14%, slightly above the core equity tier-1 post IFRS 9 implementation for the same period last year. So essentially the payment of the dividends, the growth in the RWAs have broadly been offset by a strong organic capital generation. I think the other point to draw out is the table at the bottom of page 15 in the middle, where you can see RWAs are broadly flat, notwithstanding the fact that we grew loans and advances by 7%. And this is mainly as a result of our RWA optimization initiatives.

The net result of all of that is that our return on tangible equity has shown a significant improvement year on year and is up over 16% versus 14% in 2017.

So turning to the last slide on page 16, where we're looking to give you some guidance into 2019. Clearly 2018 was an exceptional year for us with profits up 10% in a year of integration. 2019, where we're coming up to the market conservatively and suggesting revenue and profit will be at mid-single digit. The cost to income ratio, we're expecting to be stable, around the 25% mark. The cost of risk, we're anticipating a small uptick from last year to around 55 basis points, 65 basis points and we expect the return on tangible equity in the core equity tier-1 ratio to remain strong.

Looking ahead, we see a very healthy pipeline. We see a very healthy growth in Saudi Arabia. We've got the foreign ownership limit increase subject to regulatory approval. So we're quite bullish on a very successful 2019.

So with that, I'll hand over for Q&A to you guys. As Sofia said earlier, we've got Karim, Arif and Shireesh here. So please hit us with any question. Thank you.

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

Rajae Aadal: Perhaps while we await other participants to dial in, I can go ahead and ask a couple of questions, if that's okay. My first question is on your loan growth guidance for 2019. You've talked about high single-digit loan growth targets. Can you shed some color on which sectors are likely to drive lending in 2019 for the bank? My second question is NIMs. Can you throw some light on your NIM outlook for this year and how you see competitive pressures shaping up in this sector? And lastly, are there any signs of pickup in economic activity in Abu Dhabi and do you have any visibility on the economic stimulus plan? Thank you.

James Burdett: Yes, thank you for calling that out. So yes, we do think that the balance sheet growth will be high single-digit. We have a lot of GRE business in the pipeline, a lot of public sector and government-related pipeline. We also are expecting a pickup in trade activity, particularly the FI trade, as it relates to our international business. And as I've mentioned before, we have a very healthy pipeline in Saudi Arabia. So I think most of the growth would be CIB related, a portion of that to be trade and some of that to be government related and international related.

In terms of the NIM, it's a difficult one to call out because the certainty around the rate hike seems to have evaporated. So when we were looking at the budget into 2019, the market was calling out three rate hikes. They're now calling out two rake hikes. That's obviously in jeopardy at the moment, depending on what happens with the Fed and the economies. So our view at the moment is that NIM will be broadly flat. So any benefit from rate hikes or asset optimization will largely be offset by competitive pressures. So I think flat is good guidance from that perspective.

And in terms of the market, we anticipate GDP of around 3%. We've also got the fiscal stimulus that was announced by the Abu Dhabi government and we are seeing a reasonable pipeline to come through in terms of government business. So we are seeing a pickup in economic activity.

Rajae Aadel: Thank you.

Operator: Thank you. We will now take our first question from Deniz Gasimli from Goldman Sachs. Please go ahead.

Deniz Gasimli: Hi, good evening, and thank you for today's presentation. I have a question on the proposed foreign ownership limit increase, if you're able to comment on that. So just want to ask what was the kind of reasoning for the proposed increase from 25% to 40%? And as per the website, I think current foreign ownership is around 12% so current foreign ownership isn't maxed out. So I wanted to understand the reasoning for the increase, and also if you have any kind of timeline in mind of when this increase will be effective. Thank you very much.

James Burdett: Yeah, that's a good question. So look, we very much recommended this subject to approvals obviously to improve the liquidity in the share price. Our traded value as a portion of the ADX is significant. We want it to be more significant, so it makes sense from our perspective. In terms of timing, it will be after the AGM approval, which is the 25th February.

Deniz Gasimli: Clear, Thank you.

Operator: Thank you. We will take our next question from Elena Ponceca from Al Ramz Capital.

Elena Ponceca: Good afternoon. Thank you for hosting the call and congratulations on a very solid full year and fourth quarter. A couple of questions from my end. First is, as you said, there were massive FX gains on the P&L. And I just wanted to get an idea of how much exactly is coming from your FX income attached to managing the excess liquidity from the government? And the second question is for the industry, do you think we would now start to see business as usual in terms of growth in provision charges?

James Burdett: Yeah, so to answer your first question, as you look at slide, I'm just trying to find it. Just give me a moment. If you look at slide #12, which shows the non-funded income, you can see the growth in FX and investment income has gone from AED 2.6 billion to AED 2.9 billion. The majority of that growth is the deployment of the excess liquidity that we talked about. And I think the other thing to point out is, remember, there was some one-off gains last year, which we flagged to the market of around AED 400 million. So yes, it is a significant revenue generator for us. But on the flipside, it impacts the calculation of our net interest margin.

The second question in terms of, was it in terms of economic activity or provisioning?

Elena Ponceca: In terms of provisioning.

James Burdett: Yeah, so look, we said in our guidance to you and the market that we expect an uptick in provisioning next year. We think we can keep the NPLs relatively stable. But based on what we're seeing in the market and the NPL formation in some areas, property would be one example, personal banking relating to credit cards and so on would be one other area. We are starting to see a moderate uptick. So we think we can manage the cost of risk within that range we talked about. But on the flipside to that, obviously we're expecting strong GDP growth. We expect the government stimulus package to have a really positive impact on the economy.

Elena Ponceca: Thank you.

Operator: Thank you. As a reminder, if you would like to ask a question, please press star one. Our next question is from Janany Vamadeva, Arqaam Capital. Please go ahead.

Janany Vamadeva: Thank you for the call. And it's just a follow-up question on the FOL increase. I just wanted to clarify, James did mention that it will be effective after the AGM. So will it be effective immediately after the meeting like on 25th February or are there any more steps involved, like regulatory approvals and so on?

James Burdett: Yeah, look, I couldn't put a timeline on that, I don't think. I mean, I think it's subject to regulatory approvals, which is SCA, the Central Bank. It's subject to AGM approval.

Janany Vamadeva: I just want to know these steps will happen after the AGM like or is it before the AGM?

James Burdett: No, after the AGM because we need shareholder approval.

Janany Vamadeva: Okay, there are steps involved after that. Okay, that's fine. Yeah, thank you. And just one question on the one-off integration cost. Just trying to understand the drivers behind the reduction. And also like where we are in terms of integration, like what needs to be done yet like the 2019 apart from the international rationalization.

James Burdett: Sorry, what was your first question?

Janany Vamadeva: The driver behind the reduction in the one-off integration costs. What was the reason behind it, like what was the driver? And where we are in terms of the integration, like what still needs to be done for 2019?

James Burdett: Okay, Yeah, so when we went out to the market, we estimated the total cost of integration in terms of operating expenses to be AED 1.1 billion. I think you'll appreciate two years ago that was probably a reasonable stab in the dark. Now that we've successfully integrated and we did this, what, nearly a year earlier than we had scheduled. Obviously the cost have come in lower, so AED 900 million. The AED 100 million that we've earmarked for next year is a little bit of cleanup activity after December because obviously the systems integration piece doesn't just end on the day you integrate. There's some work that needs to be done going forward and we have some more to do on the international side.

Sofia El Boury: And Janany, just to get back to you on your question about the FOL process, just to highlight that after regulatory and shareholder approval, obviously, we also need to effectively amend our articles of association to actually effect the increase from 25% to 40%. So we are going to try our best obviously to be efficient in the process. So we'll provide further update after the AGM. I hope that clarifies.

Janany Vamadeva: Okay, that's helpful, Sofia. Just wanted to see whether it will be exactly like on 25th or 26th, so I think that answers. That's helpful. Thank you. That's all for me.

Operator: Thank you. Once again, you can press star one for a question. We have two questions coming through. The next question is from Harsh Oza from Shuaa Capital. Please go ahead.

Harsh Oza: Hello everyone. Thanks for taking my question. Just one question on the dividend side. It appears that the dividend payout ratio has slightly decreased. So if you can just talk about the reason behind the lower payout and what kind of normalized target for this year? Thank you.

James Burdett: Yeah, the dividend fils per share is AED 0.74. It's up 6% year on year. Yes, you're right. Mathematically it takes the payout ratio down to 67% or something like that. But it's a record dividend of AED 8 billion and we're quite comfortable with the 6% growth and the 5% yield that that generates for our shareholders.

In terms of dividend for 2019, as usual, we don't provide guidance. But as we said and recorded in the past, we'd like to reward our shareholders and be recognized as a high dividend play.

Harsh Oza: All right. Thank you.

Operator: Thank you. Our next question is from Vikram Viswanathan, NBK Capital. Please go ahead.

Vikram Viswanathan: Hi James. This is Vikram from NBK Capital, Vikram and Hamad. Thank you for the presentation. We had a question on the FOL. We saw that in Qatar last year, there was an across-the-board increase in FOL to support the share prices. We are wondering, should we expect FOLs to increase across the board in UAE as well? Or the increase in FOL that's been proposed, is it more of a bank-specific increase? Essentially the question is, in Qatar, it was more driven from the top, to support the exchange. Should we expect the same thing to happen in UAE, or is this more of an one-off increase that we're seeing in FAB? Thank you.

James Burdett: Look, I wouldn't be able to comment what other banks are looking to do with their FOLs. But from our perspective, i.e. a FAB perspective, we're simply looking to support liquidity in our stock.

Vikram Viswanathan: All right, clear. Thank you.

Operator: There are no questions at this time. You can still type star zero; star one to ask your question. We will now take our next question from Naresh Bilandani from JP Morgan. Please go ahead.

Naresh Bilandani: Okay, great. Thank you very much. Just two questions please from my side. One, could you kindly comment on the state of asset quality within the system? I know you're guiding a small increase in the cost of risk but generally, the concerns on asset quality in UAE, especially as we hear from your counterpart bank managements, have risen. So just keen to hear your thoughts on the same. And can you please also talk about the levels of collateralization that you hold? Can you share how the values on the real estate collateral have moved and the – some thoughts on that would be super helpful? That's the first set of questions.

And second, I'm somewhat disappointed with the overall guidance that is coming in. And clearly you highlighted from a growth perspective that the growth outlook still remains strong but that doesn't seem to be still, in the case of 2019, not translating into a potential revenue growth. And in a rising rate environment, we did not see any material benefit coming to the net interest margin for the bank. So do you expect to see some more benefits coming, especially from the funding cost side, which has been under pressure through the course of 2018. And any key upside risk that you would see overall to the interest rate outlook and how that would translate into the revenue growth, that would be super helpful. Thank you.

James Burdett: Yeah, look, Naresh, I'll take the second question and then pass on to my colleague, Arif, to talk about the questions around credit quality in the system. Look, from our perspective, and you've seen us do this last year, we've come out with a relatively conservative set of guidance. We did that last year. We revised the guidance upwards based on our performance in the first part of the year. I think it's sensible to come out with a conservative set of guidance for you in the market.

There's a lot of things going on in the market at the moment. We're unsure of the Fed rate hikes. We're unsure of the extent of the stimulus package and what it would do to the local market. As you said, there's a bit of risk in the system which is particularly related to real estate and so on. I think from our internal perspective, we do see significant opportunities for growth.

We've got a very, very healthy pipeline, as I said before, in KSA and in CIB and related to the government, which obviously is a very efficient asset for us because they're low in terms of risk-weighted assets. We've got a unified platform for the first time in a year in our personal banking business from which we expect to launch significant sales activity.

And in terms of the Fed rate hikes and what may happen there, you know from the past and from our annual report that we are positioned for Fed rate hikes. And the main reason you didn't see the benefit of that flow through into 2018 was simply run down of a significantly higher yield portfolio in personal banking relating to the SME business, just creating negative headwinds, which has evaporated. So I think the answer, the big-picture answer to your question is we think conservative. We will look to beat that guidance in 2019. And I'll hand over to Arif now.

Arif Shaikh: Naresh, hi, Arif here. I am answering specifically on the credit quality in the system, which is your specific question in 2019. Clearly, we have seen some stress in certain industries. I think James spoke about the real estate industry. There's some stress in the retail and hospitality side as well, which you've seen. We'll see how this goes. It's too early in the year now to see in terms of how this is going to translate into an NPL formation or how the credit quality will kind of go south. We are watching this, and I think probably after the first quarter, we'll be in a better position to judge in terms of how the book is actually going to perform.

On a systemic basis, another factor would be that the consumer space is still a bit not green, I would say, we still see some amount of stress happening there with consolidations, credit bureaus and so on and so forth. Again, that's a space I would watch. I think you had another question on collateral coverage, if you could just repeat that, we could probably give you a more specific answer.

Naresh Bilandani: Sure, Arif. Thanks for that. I just was checking on the level of collateralization that you hold beyond the provision coverage at this stage and how the values in the real estate collateral have moved on the book at this stage. Also, I think if I look at the data in 2017, I think the provision coverage specifically to the real estate segment looked optically low, but that was well covered because of the general provisions that you held on the books. In general, your coverage by both provisioning as well as collateral, how has that moved in the real estate segment, if you can provide some color on that please?

Arif Shaikh: I think in terms of the collateral value, I think, we have a disclosure in the financial statements. That's on page 58. In terms of valuations on the real estate side, I think this is where you're headed. That's something we check on an annual basis whenever the account is actually renewed. On the real estate side, we have seen some softness in valuations as they have come across. But if you want something more specific, I will also ask Shireesh to comment on this.

Shireesh Bhide: We have, as a pre-emptive measure, always gone easy on some of these sectors which were real estate-oriented or hospitality-oriented, and we continued to remain focused on cash flow based asset creation. So in a sense collateral values obviously have softened a bit but there has been very little direct impact from a portfolio point of view that we have seen. So we remain focused on the underlying cash flows and the business proposition. So overall, I think there's been no significant impact that's outside of the overall economic trend related to the real estate sector in the UAE. Nothing abnormal.

Naresh Bilandani: Thank you, Shireesh and thanks Arif on that. Just James, sorry, just going back to the previous question also on the overall interest rate environment. And I know it may be early days but I think one reason why the NIM overall in the previous year suffered was significant excess liquidity building up on the balance sheet and that putting some pressure on the overall funding costs. Do you expect to see benefits coming on the funding cost sides? And assuming there's no rate hike from the US this year, how would you expect the general trend on the funding costs to be for the course of this year and how that could affect your overall net NIM at that stage?

James Burdett: Yeah, so look, just to clarify on the pressure around cost of funding. So the surplus liquidity is a very profitable trade for us. So the surplus liquidity is wrapped up, placed with the Central Bank, has no associated liquidity cost, has no associated RWAs. We just simply get a very low rate from the Central Bank because we operate it as a true operational account, right. And then we swap it back into dollars through the FX swap market. If you look at that whole economic trade as one total, it's an extremely profitable business in terms of return on risk assets.

In terms of your question around what really happened, the NIMs in the personal banking space came off year on year in 2018 versus 2017 because we ran down a book that was very, very high yield, SME portfolio book and that improved risk appetite. So the risk-adjusted returns of that business have improved substantially as we wrote down those assets. But if you appreciate, year on year, the net interest income we earned off those assets between 2017 and 2018 with a significant negative headwind.

And then on top of that, you've got the usual competitive pricing in the CIB books and in the personal banking space. On the liability side, we've had a significant takeout. So we had over AED 158 billion of CASAs, where we're earning essentially the Fed funds, so if the market picks up and the EIBOR starts to decline, which I think it will this year, then we have significant tailwinds.

So the double whammy impacts that you saw between 2017 and 2018 won't recur in 2019 because most of that book has run-off and a lot of the tightening has already happened. So you should see net interest Income start to grow on the back of balance sheet growth. Does that sort of answer your question?

Naresh Bilandani: Understood. Yes, indeed. It does. Thank you very much. And I promise this is going to be my final question. I know you answered the previous question on the dividend payouts and I think generally the market and including us, we were expecting relatively more. So here is how I see this. You have de-risked your balance sheet significantly with the RWAs consistently going down. The provision coverage seems, and the collateral coverage that I hear from Arif seems relatively comfortable at this stage. Your cost of synergies look under control. So why haven't we seen a higher dividend payout? And clearly from that regard, also could you kindly guide us where exactly – or the level of capital buffer that you are trying to hold above the current minimum so that we can get some sense on where the dividend trajectory is going to be through the next year?

James Burdett: Yeah, so what we said, and we've said this consistently, is that we want to be a higher payer in terms of dividend but we've also said that in terms of the core equity tier-1 ratio, we want to be above 13%. So I think what you can do with that is read between the lines that we are expecting significant growth and our dividend at AED 0.74 or AED 8 billion is a significant increase over last year. It's the highest in the market. But we want to keep some back for growth and we want to manage our core equity tier-1 ratio because that's very important in the current regulatory environment. I think in terms of AED 0.74, I think that's an extremely generous payout.

Naresh Bilandani: Okay. All right. Could you just give some sense of the minimum level of CET1 that you'd like to hold through the medium term?

James Burdett: Yes, it's on our guidance on page 16, you can see its 13% and above. And we're looking at a high single-digit loan growth this year based on our pipeline and what we see in the market.

Sofia El Boury: And Naresh, just to emphasize that we're planning to obviously share revised medium-term financial targets when we host our Analyst and Investor Day on 6th March in Abu Dhabi. So that's when we'll elaborate further on our strategy on how we intend to support internal capital generation and our medium-term CET1 floor going forward. So we look forward to seeing you in Abu Dhabi in March.

Naresh Bilandani: Okay, great. James, Arif, Shireesh, thank you so much for answering the questions. Appreciate it.

James Burdett: Thank you.

Arif Shaikh: Thanks.

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

Rajae Aadel: Thank you very much everyone for dialing in. I'll now hand it over to you, Sofia, for any closing remarks.

Sofia El Boury: Thank you, everyone, for joining the call today. Just to highlight that the replay for this call is going to be available for a few days. We're going to have the transcript up on our website over the next few days. And last but not least, like I mentioned just now, we're hosting our inaugural Analyst and Investor Day on 6th March in Abu Dhabi on the back of the EFG Hermes conference. So we look forward to seeing you there, and FAB's senior management team looks forward to seeing you there. We're going to send the full invitation with the details over the next couple of weeks. Have a nice evening everyone and see you soon.

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