EMIRATES NBD Q3 2015 RESULTS ANALYSTS & INVESTOR CONFERENCE CALL 27 OCTOBER 2015

CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Ladies and gentlemen, welcome to the Emirates NBD Third Quarter results announcement analyst and investor call. If we are all ready to begin, I will now pass the call over to our host, Mr Shayne Nelson, Group CEO of Emirates NBD.

Shayne Nelson

Thank you, operator. I would like to welcome you all to Emirates NBD results conference call for the Third Quarter 2015. Supporting me today, as per usual, will be Surya, our Chief Financial Officer, and Paddy, our Head of Investor Relations. Together we will review the operational and financial highlights of the first 9 months of 2015. We will refer to the results presentation which was made available to you earlier today, after which you will have the opportunity to ask us any questions.

I am pleased to report we have delivered a solid set of results with net profit up 27% in the first 9 months of 2015, to AED 5 billion. The strong operating performance was helped by an increase in net interest income, a modest increase in cost and a lower impairment charge. Net interest income improved by 8% during the period to AED 7.5 billion due to growth in retail assets and lower cost of funds.

Non-interest income declined by 7% to 3.5 billion due to lower gains from property sales and investments. However, core fee income improved 14% year-on-year driven by growth in foreign exchange and derivative income, growing credit card volumes and higher asset management fees. The bank's balance sheet remains strong thanks to further improvements in credit quality, steady capital ratios and strong liquidity particularly during a challenging quarter for the banking sector in the region. Central bank stats show that, since the beginning of the year, system-wide advances to deposit ratio increased by 5.9%, from 97% to 102.9% at the end of September.

During the first 9 months of 2015, Emirates NBD's AD ratio only rose by 2% to 97.2%, thanks to further growth in stable funding sources such as current and savings account deposits. This demonstrates our ability to attract and attain high quality deposits and underlines the true value of our extensive branch network and award-winning product offerings. Impaired loan ratio improved to 7.1% as the bank actively managed its stock of impaired loans, whilst the impaired loan coverage ratio increased to 115.3%.

Overall, I am happy that we have delivered another set of solid financial results with healthy levels of growth in both net interest income and profit. Our prudential balance sheet and strong ability to attract and retain both retail and corporate deposits has helped to offer protection against increased challenges that the region has experienced. Our strong balance sheet will also allow us to take advantage of any growth opportunities in our preferred markets. We are confident that, going forward, our prudent business model will continue to deliver a solid performance and deal with the opportunities and challenges that will present themselves.

I will now hand over to Surya to start going through the results in detail.

Surya Subramanian

Thank you, Shayne. As usual, I will speak through the financial results in slide 3 year-to-date, and slide 4, quarter-to-date.

Revenues for the first 9 months of 2015 at AED 11.2 billion grew by 2% over the comparable period in 2014, with an 8% drop in net interest income which more than offset the 7% decline in non-interest income. The growth in net interest income is largely underpinned by growth in retail assets and a lower cost of funds.

Non-interest income appears lower as profits from the sale of legacy properties and investments were lower than the high levels we generated in 2014. Adjusted for these, core fees grew by 14% over the period.

Net profit for the group was AED 5 billion for the first 9 months of 2015, which is 27% above the posted profit in the same period in 2014. The increase in net profit was driven by income growth, a modest rise in expenses and the beneficial effect of reduced provisions. As indicated in earlier calls, we continue to invest in customer-facing activities to enhance customer satisfaction and deliver future revenue and growth. Revenues in Q3 were down 3% on the previous quarter.

Net interest income grew 4% quarter-on-quarter as loan growth was offset by modest contractions in margins. Non-interest income fell 17% in Q3 primarily due to lower gains from the sale of legacy properties and investments.

Traditionally the third quarter is a quiet month for banking activity in the UAE due to the holiday period, and the holy month of Ramadan also coincided with this quarter. One encouraging factor is that core fee income was largely stable in Q3. Total costs for the quarter, at AED 1.13bn, improved by 3% over the previous quarter as we continued to keep a close watch on costs.

Provisions for Q3 are AED 822 million, which is 9% lower than the previous quarter. This is the fifth consecutive quarterly reduction in the cost of risk. These provisions together with problem loan recoveries helped improve the coverage ratio to 115.3%. We continue to see provisions normalising in the coming quarters. The NPL ratio improved further during the quarter to 7.1%.

Our headline advances to deposits ratio, at 97.2%, demonstrates that the bank has a well-diversified stable funding base and we remain well placed to meet relevant prudential liquidity requirements. I am also pleased to share that during the quarter Moody's improved the rating outlook for Emirates NBD to positive from stable. The improved outlook reflects the favourable trend that we have delivered in both profitability and balance sheet strength.

Moving on to slide 5, our net interest income, we saw a decline in margins for the first 9 months of 2015, in line with our guidance. This was due to a number of factors. Loan spreads declined as margins on a broad range of products experienced downward pressure from a competitive market. Treasury trends remained flat as cheaper short-term funding offset an increase in more expensive term funding. Partially offsetting these declines was the usual positive contribution from deposits as growth and low cost helped replace more expensive time deposits.

Increasing EIBOR rates in Q3 further impacted margins as loans will only reset after a short line. We maintain our guidance for FY 2015 net interest margin in the range of 2.7 to 2.8%. Should liquidity remain tight, we may see less pressure on loan spreads. However, this particularly takes some time to feed through the system. As with previous years, we will look to provide guidance for next year's metrics with the full year results.

Moving on to funding and liquidity on slide 6, the advances to deposit ratio increased to 97.2 during Q3. This remains within our target range of 90-100% and, as Shayne mentioned, is below the sector average. The bank has made significant efforts over the last number of years to strengthen our funding base. We have replaced more costly and opportunistic time deposits with cheaper and more sticky buffer deposits. This is easier said than done and we have been successful, thanks to our extensive branch network and superior product offering. This has really paid dividends as we continue to operate with comfortable liquidity in what was a challenging environment for the banking market in the region.

We took advantage of favourable market conditions to prudently raise AED 9.5 billion of term funding in 2015. This decision to frontload our term funding requirements is also benefiting the bank as we saw increased volatility in the capital markets in Q3 from a range of sources such as low oil and commodity prices, stock market volatility and uncertainty in the global interest rates outlook. We have continued to smooth our debt maturity profile and this peaks in 2016 with AED 8.8 billion of maturity. We are very comfortable with this maturity profile and in our ability to refinance maturing debt.

On average we have raised over AED 13 billion of term funding per annum over each of the last 3 years. In the first half of 2015 alone we raised AED 8.9 billion. Given the prudent debt raising executed in the first half of the year we have no immediate requirement to raise medium term funds. As usual we will continue to monitor the market and only look to access the capital markets as and when we feel the conditions are right. Our liquidity position remains strong and, at AED 50.5 billion, covers 14.8% of total liabilities.

Slide 7 shows our loan and deposit trends. Loans grew 7% in the first 9 months of 2015. Islamic financing grew an impressive 20% during this period. Consumer loans grew 9% so far in 2015, mainly due to growth in credit cards and auto loans. Our expectation for loan growth for the remainder of 2015 is modest. We are seeing a slowdown in appetite for loans as more customers become cautious due to the slowing global growth.

While system-wide deposits have been dropping due to lower oil prices, as reported in some media, our customers are primarily in the mass retail SME and trade-related sectors which are yet unaffected by the macro trends. Deposits grew overall by 4% in the first 9 months of 2015 and our CASA balances continued to grow in Q3, and now represent 51% of total deposits.

With that, I hand you over to Paddy to take you through the next couple of slides.

Paddy Clerkin

Thank you, Surya. On slide 8, we see that total non-interest income declined by 7% YoY for the first 9 months of 2015. However, core gross fee income improved by 14% year-on-year. This raise was driven by increases in foreign exchange and derivative income, growing credit card volumes, as well as higher asset management fees which were partially offset by lower brokerage fees.

Core gross fee income was stable in Q3. This is a relatively good result as all parts of core fee income tend to experience a dip in Q3 due to seasonal effects. Property income declined 49% on lower demand for bulk and individual property sales, compared to the high level of disposals in 2014. Income from investment securities declined on the back of greater uncertainty in global markets coupled with some large disposals in 2014 which were not repeated in 2015.

Moving on to operating costs and efficiency on slide 9, costs declined by 3% QoQ and increased by 5% YoY in Q3, due to higher staff costs linked with changing business volumes. The cost to income ratio rose by 0.1% in Q3 to 31.3%. Our low cost debt declined 3% during the quarter. There was less exceptional income in Q3. The year-to-date cost to income ratio is 30.1% for the first 9 months of 2015. If you strip out the one-offs the cost to income ratio would have been 31.7%. The longer-term management target for cost to income ratio is 33%. We have invested in people and systems recently to support future revenue growth and we still have some headroom for further investment if needed.

Moving on to credit quality on slide 10, as was mentioned earlier, the NPL ratio improved further in Q3, from 7.9% at the beginning of the year to 7.1%, an improvement of 0.8%. Impaired loans improved to 20.3bn, helped by over one billion of write-backs and recoveries in the first 9 months of 2015. This helped increase the coverage ratio to 115.3%. Coverage is higher than our original guidance and this is mainly due to resolution on a higher-than-expected volume of impaired loans. We have seen the cost of risk falling for the fifth consecutive quarter in Q3, with this trend being towards more normal levels.

Provisions were AED 1,100 million in Q1; 900 million in Q2 and 800 million in Q3 2015. Provisions for the first 9 months of 2015 were 27% lower than for the same period in 2014. We expect further normalisation of provisions for the remainder of 2015 and beyond. Total portfolio impairment allowances now stand at AED 5.6 billion, or 2.65% of credit risk-weighted assets and this comfortably exceeds the 1.5% Central Bank requirement.

Slide 11 on capital adequacy shows that, during Q3, Emirates NBD's Tier 1 ratio remains steady at 18%. Over a similar period the capital adequacy ratio declined marginally by 0.1% to 20.9%. Capital has growth by 1.6 billion in Q3 due to retained profits. This growth has largely offset the increase in risk-weighted assets, leading to stable Tier 1 and capital adequacy ratios during the quarter. The increase in risk-weighted assets is primarily due to an increase in loans and treasury sales activity. At this stage, given the bank's strong profit generation, we have no further plans to raise any Tier 1 or Tier 2 capital.

With that, I hand you over to Shayne to run through the remainder of the presentation.

Shayne Nelson

Thank you, Paddy. On slide 12 you will see that for Retail Banking and Wealth Management loans grew by 10% in the first 9 months of 2015. As Surya mentioned, we saw good growth particularly in auto loans, credit cards and mortgages. During the same period deposits declined by 2%; however, the CASA balances grew by 5%. Revenues grew by a modest 2% YoY. This was partly due to a change in internal transfer pricing arrangements.

Islamic Banking showed impressive growth, with financing receivables increasing by 19% in the first 9 months of 2015 across a range of products. Customer accounts grew by 16% during the same period. Thanks to this impressive growth, Emirates Islamic delivered a 17% YoY increase in income from Islamic financing and investment products. We expect both Retail Banking and Wealth Management plus Islamic Banking to continue to perform well in the coming quarters on both the asset and the deposit side.

On slide 13 Wholesale Banking revenue declined 3% YoY and QoQ. Growth in net interest income was largely flat over the past quarters as continued margin compression in a highly competitive market offset asset growth. Loans grew by 4% in the first 9 months of 2015 while deposits grew 3%. The Wholesale Bank continues to focus on customer service quality and share of wallet. This includes improved cross-sell of Treasury and Investment Banking products and increased Cash Management and Trade Finance penetration.

Treasury income fell 157% in Q3 2015 on lower trading income due to recent volatility in global markets and seasonal effects. Traditionally the summer months which coincided with the holy month of Ramadan is a quiet period for transaction volumes from both individuals and companies, and that flows on to Treasury.

Sales revenue grew on interest rate hedging products and foreign exchange sales held up well during the third quarter and we expect this to continue in the coming quarters as more clients look to hedge their interest rate risk on expectation of global interest rates starting to rise shortly. Global funding issued AED 9.5 billion of term debt through a mix of public deals and private placements in eight currencies.

On the outlook on slide 14, we have trimmed our growth forecast for UAE's GDP in 2015 down to 4% from 4.3% as a result of sustained lower oil prices and lower growth prospects for the global economy. We saw some signs of a slowdown in non-oil growth in Q3, although this is from a relatively high base. The UAE PMI eased to 56.0 in September, but still indicates robust growth in the non-oil private sector. The Emirates NBD Dubai Economy Tracker shows that, as of September, new orders growth was largely unchanged at 58.6 while business optimism remains very high at 65.8. Employment increased at the slowest pace since records began in 2010, with a decline in employment in travel and tourism offsetting growth in construction and trade sectors.

The medium term outlook for Dubai's residential sector is balanced, with growth prospects in the 'affordable housing' sector. Mid-range villa prices declined 6.7% y-o-y in September while apartment prices have been more resilient. Emirates NBD recognises the headwinds that recent regional liquidity pressures, a strong dollar and low oil price, can present. However, as was demonstrated by the strong balance sheet, the bank is well placed to meet these challenges and to take advantage of the opportunities within the region.

In summary, (on slide 15) it's been another solid quarter for the Group, with net profit up 27% to AED 5 billion for the first 9 months of 2015, aided by growth in net interest income, cost control and lower provisions. The balance sheet remains healthy with improving NPLs, strong funding and capital ratios. The bank demonstrated during this quarter their well-diversified stable funding base is an asset for the future. We are seeing some signs of a slowdown in the economy due to lower oil prices and a strong dollar but this is from a relatively high base. The strong balance sheet enables the bank to meet the challenges and take advantage of any regional growth opportunities.

With that, we would like to open for questions. Operator, please go ahead.

QUESTIONS AND ANSWERS

Operator

Thank you, Mr Nelson. We will now begin our question and answer session. If you wish to ask a question, please press 01 on your telephone keypad. If you wish to cancel your request, please press 02.
Our first question is from Naveed Ahmed from Global Investment House. Please begin.

Naveed Ahmed

Good afternoon gentlemen, and thank you for the presentation. I have a single question and this is regarding the 160 million coming in from other income. Can you please explain the sources and if these numbers are one-off?

Surya Subramanian

Naveed, you are looking at the presentation or the financial statement?

Naveed Ahmed

The financial statement

Surya Subramanian

These are property income primarily, Naveed. We still have legacy properties from the Union property swap and rental linked to our legacy properties as well. That's the majority of it.

Naveed Ahmed

My question is particularly regarding the last head, this 'other income', which is 160 million...

Surya Subramanian

Yes, I am talking about the other 'other income'...

Naveed Ahmed

Okay

Surya Subramanian

We did sell a few buildings, not just from the Union property stock but also our own Emirates NBD legacy properties earlier in the year. We were, as I said, lucky enough to frontload most of them before the sentiment changed.

Naveed Ahmed

Okay, perfect. What is the difference between income being reported under this 'other income' head and those reported under the gain on sale of investment properties/inventories?

Surya Subramanian

The gain on sale of investment properties is a specific category. We have non-investment properties as well. We have properties under 3 categories. We have the Union property inventory. We have investment property which gets recorded mainly for deriving income flows. These are legacy items. Then we have our own properties where we have our branches, for example, which are treated as cost and subject to impairment if the value drops and, accordingly, there is a different accounting treatment. We could take this off-line with you, Naveed, if you want a reconciliation of some of those.

Naveed Ahmed

Perfect. That will be great.

Operator

Our next question is from Vikram Viswanathan from HSBC. Please begin.

Vikram Viswanathan

Hi and thank you for the wonderful presentation. I have two questions. My first question is: could you tell us what proportion of your loan book comes from lending activity to small and medium enterprises? The reason why I am asking this question is we've seen significant deterioration in asset quality in some of the other banks which are lending to the SME segment.

My second question is regarding fees and commissions. Your balance sheet and your loan book is growing by about 5% YoY but your fees and commissions are growing at a much faster pace. They are growing at 13% YoY. What explains the disconnect? Where are you generating these fees and commissions? That's all.

Surya Subramanian

Vikram, on the fees and commissions, a lot of this is non-balance sheet driven as you know. We launched our signature Retail Banking remittance product called DirectRemit where you can remit money to a number of countries, India; Pakistan; Sri Lanka; Philippines, within a matter of seconds. Recently we launched that on the mobile application as well. Despite the fact that these are zero fees, zero commission, there is a minor foreign exchange gain and other benefits that come from customers retaining their accounts with us and doing other transactions.

Apart from that we've also had increase in Treasury sales activity linked to derivative products. All these are areas that we did not have before. This is the area that we have been strategically driving as well. Credit card volumes have also been going up, giving rise to associated fees linked to that as well. That is the answer for the fees.

Shayne Nelson

I think the question you are asking is a good one. There is no doubt that there has been an increased number of skips in the industry. SMEs represent only about 2.3% of our books so it is actually quite a small number. So far – I have to touch wood when I say that – we have been fairly immune to the skips that have happened but it is a concerning trend. More concerning to me is not the skips that have happened; it's actually the reaction from some of the banks that we've seen where, in order to prune in their risk appetite because of the effect, we're now starting as an industry to affect some good businesses where multiple banks are pulling lines on counterparties and in some regards it's a self-fulfilling prophecy – we are creating more of it – I think as an industry we certainly are, through the UBS with the Risk Committee, trying to work to make sure we don't do this, but certainly it is a worrying trend that we're seeing an increased number of skips in the industry.

I think the other concern I have around this is that most of these skips are not SMEs that have been in Dubai or the UAE for 2-3 years. They have been in the country for a long time and survived the global financial crisis. A lot of them are commodity-related traders who have bought goods into their warehouses at higher prices in US$ and then have to compete outside of that market against lower currencies and lower prices. They've sort of had a perfect storm against them. I am also concerned that the industry itself does not exacerbate the problem by reducing its risk appetite and all trying to get out at once so I think we, as an industry, need to play that very carefully.

Vikram Viswanathan

Okay, thank you. Also, when we broke up the cost of risk into corporate and retail, we saw that your retail cost of risk has almost doubled from a year back. Is this because of SME lending or is it because of pure retail?

Shayne Nelson

It's a combination of growth – as you grow your credit card book, which we have quite aggressively – that has the normal cost of risk associated with it and increased... so we have had some amount of SME defaults but, frankly, nothing extraordinary at all so far.

Surya Subramanian

Vikram, I might add that historically our delinquency ratios and loss ratios in retail have been lower than the industry average, both during the earlier global financial crisis and leading up to it.

Vikram Viswanathan

Okay, thank you. Another question I have on the cost of risk is, when we break the cost of risk into conventional and Islamic, normally we see higher cost of risk in the Islamic products – is there any reason to explain the disconnect – the higher cost of risk in Islamic versus lower cost of risk in conventional?

Shayne Nelson

You said you'd normally get a lower cost of risk in Islamic or a higher cost of risk in Islamic?

Vikram Viswanathan

A higher cost of risk in the Islamic financing and lower cost of risk in conventional products.

Shayne Nelson

Being an ex-Chief Risk Officer, I suppose my view is risk is risk, whether it is Islamic-based or whether it is conventional – it should be the same – we run the same policies and procedures and underwriting standards between both Emirates NBD and Emirates Islamic. Sometimes you'll get a blip because they might be pushing one sector faster than any other bank but it should average out to be very similar. Theoretically, in Islamic financing, given that there should always be an asset underpinning the financing, you should actually get a lower cost of risk. That has not always happened, I would admit, but that would be the theory. I don't see that there should be any major variance between a conventional lender and an Islamic lender providing they both have the same...

Vikram Viswanathan

Okay, thank you very much.

Operator

Our next question is from Sandeep Srinivas from Duet. Please go ahead.

Sandeep Srinivas

Hi and thank you for hosting the call. When I look at the loan to deposit it's reaching the upper limit of your target and the last time this reached was in Q3 2014 and you came back in the fourth quarter with deposit growth but this time the liquidity is totally different in the market. I just want to understand how you will handle this increase in loan to deposit?

Shayne Nelson

Well, we're giving away a few cars at the moment – if you'd like to give a deposit *(laughs)...* there's a Bentley waiting for you... and a few Breitling watches... I mean, from our perspective, we believe we have the capability to continue to raise our customer deposits from our existing customers and new clients given our branch network, our ATM network plus our digital capability. I would say, without doubt in this market, we do have the best digital capability. You can see that we have been successful. Look at the build-up of our CASA over many, many quarters. We continue to do well.

We continue to drive that but there is no doubt that the cost of liquidity is increasing especially on term deposits. I suppose one good sense I do have as we go into the last quarter is how will that competition play out as banks look to their 31st December balance sheet – what would the competition and the price do to that? Again, there is no escaping that the system is nearly 103% advance to deposit ratio and, as we come to the year-end, there is normally a pressure on pricing as banks get their balance sheets in shape for year-end.

Paddy Clerkin

Just to add to that it is also worth pointing out that, over the last couple of years, we have actively looked to grow the amount of term liabilities. Three years ago only 8% of total liabilities were term liabilities and we have successfully grown that to 11% so this is – yes it is a higher cost of funding but it is an insurance premium that a bank pays when liquidity becomes more challenging.

Sandeep Srinivas

When I look at your deposit mix in this quarter, I see that your term liabilities have kind of softened – any particular reason why you are seeing that?

Surya Subramanian

The market was tight and everybody else was paying more to balance their books and, as you saw, the system-wide AD ratio went to 102.9. We, on the other hand, continued to focus on current and savings accounts. I don't think I have a problem if somebody else wants to pay for deposits as we grow free deposits.

Paddy Clerkin

And in regards to term liabilities, as Surya mentioned, we deliberately frontloaded our term liability issuance in the first half of this year so that is why, if you are alluding to the fact that we did not issue as much in Q3 as we did in earlier quarters, that was a deliberate strategy for the bank to frontload the issuance for 2015.

Surya Subramanian

I think every message you hear in the market - as Shayne alluded to – it is going to be more difficult, going forward, to get every dollar of deposit in and that is where our franchise helps.

Sandeep Srinivas

Just one more question on your recoveries – I see that you have a billion from your NPL and I just wanted to understand how much of your NPL book is kind of reaching that vintage period where you can write back more into your performing loans?

Shayne Nelson

We actively manage this book. We have brought it down quite a bit. Our financial restructuring team is doing a good job on it but it will take time. I can assure you, if we can get the money back tomorrow, we'd take it tomorrow but it is a matter of working through those problems over time. Also, once you restructure them, performing over a reasonable period before you will consider bringing them back – the last thing you want to do is write them back and then six months later have to take another provision on them. It is not just about 'have you restructured them' and 'are they performing' – it's 'have they now got the history for you to be confident to actually reclassify them'?

Sandeep Srinivas

If I look at your NPL book today, what percentage is actually serving this vintage period?

Shayne Nelson

We don't disclose that and we never would.

Sandeep Srinivas

Okay, thank you. That's it for me.

Operator

Our next question comes from Shabbir Malik from EFG Hermes. Please go ahead.

Shabbir Malik

Hi and thank you very much for the presentation. I have a question on your Islamic segment. Growth in this segment has been quite strong. I just want to understand – is it driven by your own efforts or is there greater appetite in Islamic relative to conventional banking in the market?

My second question is on the liquidity environment. Already, towards the end of the first month of the fourth quarter, how does the liquidity environment compare in the fourth quarter relative to the third quarter? Is it better or has it worsened? Thank you.

Shayne Nelson

I'd say at the moment it's actually eased up a bit on liquidity. That is probably pretty normal after you get through the September quarter. It's the quarter generally where you see a lot of pressure. I would expect it to start to increase pressure as we get to year-end. The other thing I think that is important to note is that some of the issues around the UAE liquidity arise because of Saudis being short of liquidity as well and so is Qatar, so we have seen some outflow of funds into Saudi and into Qatar from our systems (from the banking system as a whole) where Qatari banks and Saudi banks have been paying very high rates to attract deposits. That is reflective of Qatar's infrastructure build and their budget and also Saudi's infrastructure build and their budget, and the number of bonds that they have issued as you know in Saudi. Some of the liquidity is not just here; it is really exacerbated by Qatar and Saudi as well.

On the Islamic space, we made a strategic decision to push a lot more investment into that area because we believed that had better growth potential than the conventional. Our market share in conventional products is already extremely high across every product spectrum that you can name. That does not mean we are not trying to get more but the reality is that we already have significant market share in all our products. Strategically it makes a lot of sense for us to invest a lot more into the Islamic space than the conventional space and that is what we have been doing.

It is fair to say that, if you look at their cost growth, that's also been – I would not say matching the revenue growth but it has also been quite high – why? Because we are investing in them and that has been paying off very handsomely for us. It is one of the areas that we are very happy with, significantly growing in the consumer space versus the corporate space, and it is performing extremely well for us.

Shabbir Malik

Thank you for that.

Shayne Nelson

Having said that, I do believe that there is a growing number of people switching from conventional to Islamic so there is some cannibalisation and we see that within our bank, ourselves, but frankly I'd rather our own bank cannibalised this than someone else's bank cannibalised this. It is also fair to say that the majority of that growth is coming from outside of our bank. We are getting no more cannibalisation from them than we would from any other Islamic.

Shabbir Malik

Thank you for that.

Operator

Our next question is from Sanyalak Manibhandu from NBAD. Please go ahead.

Sanyalak Manibhandu

Thank you for the call. I have two questions. One relates to the Credit Bureau. Earlier in the week one of the banks had suggested to me that the Credit Bureau is having an adverse impact on their volume in the retail sector. I wonder whether that is also true in your case?

The second question is on normalisation of impairment. I can see that you have reduced your cost of risk, as stated, which is very good but how much further room do you have in terms of normalisation going forward? Where do we start to hit the bottom in terms of cost of risk going any lower?

Shayne Nelson

On the Credit Bureau I'd say there's no doubt that any Credit Bureau [going through inception] would impact volumes in the market. I have seen that before in Hong Kong and I have seen it in many markets, actually. You cannot escape that, because you don't know what you don't know and once you start actually processing loans and getting a full history it will impact your volumes. You cannot escape that. Has it impacted some of our volumes? The answer is yes it has, but that is prudent and I certainly have not got a problem with that. I'd rather know in advance and not in arrears so there is some short-term pain for the banks when it comes to new business volumes upfront but hopefully that will flow through into better underwriting standards and lower cost of risk, going forward. I think the answer is yes, but I think the outcome in the end will be much better for us and the industry as a whole.

Surya Subramanian

On when will impairments normalise, Sanyalak, we did say we will be reaching there and it will take time to reach there. Our trend is positive and all I would say at this moment without giving you specific NPL guidance for next year is that we expect the trend to continue to improve, notwithstanding what is happening in the broader environment.

Sanyalak Manibhandu

Thank you very much.

Operator

Ladies and gentlemen, if you wish to ask any further questions, please press 01 on your telephone keypad. Thank you for holding until we have our next question. Our next question is from Ambreen Jiwani. Please go ahead.

Ambreen Jiwani

Hi, and thank you for the call. I would just like to know your views on increasing the foreign ownership limit and is that something that the management or the board can look into?

Shayne Nelson

That is something that the board reviews regularly. At this stage there is no change.

Ambreen Jiwani

Okay, thank you.

Operator

Our next question is from Jagdish Bathija from Lazard Asset Management. Please go ahead.

Jagdish Bathija

Congratulations on a good note and apologies if this has already been answered and if I am repeating the question... I just wanted to understand – I was reading somebody had mentioned you have seen increased recoveries and write-backs – how sustainable is this trend and do we see this going forward?

Surya Subramanian

I think this links back to the question that one of the callers (I think it was Sandeep) asked what is the vintage and we don't obviously declare the vintage but everybody knows that Emirates NBD was severely impacted by the global financial crisis. You just have to go back into our published results of 2010, 2011 and 2012 and you will see the build-up of NPLs at that time. We have since created a financial restructuring unit that's working its way through these and we have seen the benefits of that coupled with, in the latter part of 2013 and the full 2014, and the very early part of 2015 with the improved economy and collateral values, borrowers coming back to take control of their collateral or to repay us.

We keep pushing, obviously, to keep recovering against our previous history of bad debt and that will continue. Our growth, if you look at the post-financial crisis, has been pretty much in the retail and SME sectors and, while there is a little bit of stress in the retail and SME sectors, I did mention earlier that we have always been better than the sector average and even in good times on delinquency ratios and loan loss experience so net-net - that is why to Sanyalak's earlier question I said net-net we still expect the overall trend to continue to improve.

Jagdish Bathija

Thank you.

Operator

We have no further questions. Back to you, Mr Shayne, for the conclusion.

Shayne Nelson

Well, if there are no further questions, I would like to thank you all for joining us on today's call. I will hand you back to the operator to provide details if you have any follow-up questions. We are very happy with the results and we are very pleased you could join with us today, and we look forward to talking to you all again after our end-of-year financial results. Thank you for joining us.

Operator

For any further questions, please contact our Investor Relations Department, whose contact details can be found on the Emirates NBD website and in the results press release. A replay of this call will also be available on the Emirates NBD website next week. Ladies and gentlemen, that concludes today's conference call. Thank you all for your participation.

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