EMIRATES NBD Q3 2018 RESULTS ANALYSTS & INVESTOR CONFERENCE CALL & WEBCAST
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CORPORATE PARTICIPANTS

Shayne Nelson – Emirates NBD – Group CEO

Surya Subramanian – Emirates NBD – Group CFO

Patrick Clerkin – Emirates NBD – Head of Investor Relations

Operator

Good day, and welcome to the Emirates NBD Q3 2018 Results Investor and Analysts Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Shayne Nelson, Group CEO. Please go ahead, sir.

Shayne Nelson

Thank you, operator. I would like to welcome you all to joining our third quarter results update call. Joining me as per usual are Surya, our Group CFO, and Paddy, our Head of Investor Relations. Hopefully, you've had access to the results presentation, which was made available to you earlier today. We'll review the operational and financial highlights for the first nine months of 2018, after which you'll have the opportunity to ask any questions.

Page 3 of the presentation contains a summary of the key metrics. I am very pleased to report a strong set of results with net profit of 7.7 billion dirhams for the first nine months of 2018, up 24% year on year, underpinned by higher net interest income on the back of loan growth coupled with an improvement in margins. The operating performance was also supported by a 35% y-o-y improvement in provisions.

Net interest margins have continued to improve in 2018 as rate rises flowed through to loan book which more than offset a rise in deposit costs. However any future benefit from rate rises may be more limited, as we start to experience some migration from cheaper CASA to more expensive Fixed Deposits in this higher rate environment. In September we proactively launched a major marketing campaign, offering retail and SME customers the chance to win prizes totalling over 10 million dirhams. In the past such campaigns have been successful in attracting and retaining low cost and sticky current and savings account balances. The Bank’s balance sheet remains solid with a further strengthening in capital due to retained earnings, healthy liquidity and an improvement in the non-performing loan ratio.

During the year we have grown the loan book by 7% with growth spread evenly across all business units. Corporate lending grew 6% during the year whilst both Consumer and Islamic Financing reported an 8% increase in lending since the beginning of 2018. Dubai's economy has been resilient as reflected by September's readings of '54.4' for the Dubai Economy Tracker and '55.3' for the UAE PMI. These surveys signal a steady expansion in the non-oil private sector in Q3 2018. Both output and new orders rose sharply in September, supported by growth in export orders to the MENA region.

We expect the UAE's real GDP to grow by 2.2% in 2018, up from 0.8% last year. The recent decision by OPEC to boost production significantly in the second half of 2018 may boost GDP growth even further. Survey data indicates stable growth in the non-oil sector so far this year, underpinned by investment in infrastructure as the country prepares for Expo 2020, with the public sector driving this investment.

In terms of strategic developments, we expanded our presence in the Kingdom of Saudi Arabia with the opening of our first branch in the city of Khobar in the eastern province and an additional branch in Riyadh Emirates NBD now covers three key regions in KSA with a presence in Riyadh, Jeddah and Khobar. Emirates NBD is the first non-Saudi bank with a significant branch network across the Kingdom.

Earlier this month we announced that Network International, along with its shareholders, are evaluating various strategic options, which may include a potential IPO. At this point in time, no decision has been takes as to whether NI, or its shareholders, will proceed with any such transaction. If NI and its shareholders decide to proceed with any transaction, further announcements will be made through the proper channels, in accordance with applicable laws and regulations. Regarding the potential acquisition in Turkey, we are currently engaged with regulators in a number of jurisdictions. We will update the market, through the correct channels, as and when there is any further material development.

Overall I am very pleased with the Bank's strong performance in Q3. We delivered a healthy increase in profit across all business units whilst maintaining a strong balance sheet. We continue to advance the Bank's digital credentials and improve the banking experience for all of our customers.

I will now hand over to Surya, who will start going through the details of the presentation.

Surya Subramanian

Thank you, Shayne. I will talk about the year to date and quarterly results highlights contained on slides 4 & 5 of the presentation.

As Shayne mentioned, the Group's net profit of AED 7,656 million for the first nine months of 2018 is 24% higher compared with that posted in the comparable period in 2017. The increase in net profit was driven by asset growth, higher margins and reduced provisions which helped offset an increase in operating costs.

Net interest income improved 19% in the first nine months of 2018 to AED 9,536 million due to 7% loan growth coupled with an improvement in margins. Non-interest income declined 2% due to lower income from investment securities in the second quarter of 2018 as a result of an impairment provision on a private equity fund holding.

All business units delivered both higher revenues and increased profits in the first nine months of 2018. Quarterly revenues demonstrated a similar pattern, with strong growth in net interest income, a marginal decline in non-interest income and a significant improvement in provisions.

Costs for first nine months of 2018 amounted to AED 4,112 million, an increase of 17% y-o-y on higher staff and IT costs relating to our ongoing investment in digital and technology. Costs were also higher as a result of international branch expansion, VAT, advertising and Expo 2020 sponsorship. The cost to income ratio at 31.9%, remains within 2018 guidance of 33%. Provisions of AED 1,108 million improved 35% y-o-y and the Non-Performing Loan ratio strengthened to 5.8% helped by further writebacks.

Loans and Deposits increased by 7% and 4% respectively since the beginning of the year. The Liquidity Coverage Ratio strengthened to 196.5% and the Advances to Deposits Ratio remains comfortably within Management's target range at 95.2% reflecting the Group's healthy liquidity profile. This favourable liquidity position is underlined as the Bank renegotiated an existing funding facility at more competitive pricing, extending it to 2021 and increasing the size to $2 billion. As at 30 September 2018, the Bank's Common Equity Tier 1 ratio is 16.6%, Tier 1 ratio is 20% and Total Capital ratio is 21.3%.

On slide 6 we see that margins continued to improve in the third quarter of 2018 as rate rises flowed through to the loan book which more than offset a rise in funding costs. There was a positive contribution from loan yields, both quarterly and year on year as recent increases in EIBOR and LIBOR rates flowed through to the loan book. Approximately three quarters of the loan book re-prices within 3 months. Wholesale Funding costs improved y-o-y as the Bank efficiently deployed excess liquidity. There was an increase in deposit costs due to the higher rate environment coupled with a change in the CASA to Fixed Deposit mix. Although the structure of the balance sheet is such that rate rises will continue to have a positive impact on net interest income, we anticipate a smaller benefit from future rate rises due to changes in the deposit mix.

On slide 7 we see that gross loans grew 7% in the first nine months of 2018. The Corporate loan book increased by 6% due to growth in the construction, trade and FI sectors. Consumer lending advanced 8% from growth in mortgages, cards and term loans. Islamic financing also grew 8% with growth in manufacturing, trade and services. Deposits grew 4% since the beginning of the year with CASA declining by 1% and fixed deposits advancing by 13%. CASA now represent 52% of total deposits, down 3% since the start of the year as we experienced some migration from CASA to fixed deposits in the higher interest rate environment

On slide 8, we see that the Liquidity Coverage Ratio strengthened to 196.5% whilst the Advances to Deposits ratio at 95.2% remains comfortably within the 90-100% target range. Liquid assets are 64.8 billion dirhams or 15% of total liabilities. In the first half we raised 7.8 billion dirhams of term funding in 6 different currencies with maturities out to 30 years. In September we successfully refinanced a term loan facility scheduled to mature next year. This facility was extended to 2021 and upsized to 2 billion dollars at more competitive pricing, reflecting Emirates NBD's strength as a leading bank in the MENA region, as well as its strong relationship with international banks. Eighteen lenders committed to the transaction from across the USA, Europe, and Asia.

The debt maturity profile in the coming years remains comfortably within the Group's ability to raise term funding. These metrics demonstrate the Bank's strong liquidity and underline the value of a well-diversified stable funding model. Slide 9 shows that, during the first nine months of 2018, both Emirates NBD's Common Equity Tier 1 and Tier 1 ratios strengthened by over 1% as retained earnings more than offset the transition adjustment to IFRS 9. The Common Equity Tier 1 ratio now stands at 16.6%, and the Tier 1 has risen to 20%.

The Capital Adequacy Ratio improved to 21.3% as, with Central Bank approval, we repaid 3.1 billion dirhams of expensive Tier 2 debt. The Increase in Credit Risk Weighted Assets in Q3 is due to growth in the loan book and higher interbank exposures. However retained earning more and offset this increase in risk weighted assets, resulting in a strengthening in capital ratios.

I now hand you over to Paddy to take you through the next few slides.

Patrick Clerkin

Thank you, Surya. Slide 10 shows that core fee income improved 5% year on year with the main driver being higher foreign exchange income Core gross fee income declined 4% q-o-q due to seasonality. Non-interest income declined 2% year on year as income form investment securities in the second quarter of 2018 was affected by an impairment provision against a legacy private equity investment.

Barring this, total non-interest income would have would have increased by 1% y-o-y. Property inventory at just under 1.2 billion dirhams was little changed over the quarter, but has declined from a peak of over 3 billion dirhams back in 2013. The focus remains on growing core fee income and it is pleasing to see that in recent quarters, this component accounts for the bulk of fee income.

On slide 11 we see that costs were 7% higher q-o-q and 15% higher year on year due to an increase in staff and IT costs related to digital and technology that we had signalled earlier. Other costs also increased due to a rise in costs associated with advertising and Expo 2020 sponsorship. Occupancy costs have increased as we work on expanding our international branch presence.

The cost to income ratio for the first nine months was 31.9% and we remain confident on managing this within the 33% management target. Moving on to credit quality on slide 12. As mentioned earlier, the NPL ratio improved to 5.8% during the third quarter. During the first nine months of 2018 we had nearly 1.4 billion dirhams of write-backs and recoveries. The coverage ratio, excluding collateral, remains strong at 127.4%. The coverage ratio including collateral is 202%.

We expect credit quality to be stable for the remainder of 2018. Provisions for the first nine months of 2018 were 1.1 billion dirhams. This is a 35% improvement on the comparable period of 2017 and represents a 55 bps annualised cost of risk, which is lower than the 73 bps observed in 2017. Stage 1 and 2 ECL allowances now stand at 7.5 billion dirhams or 3.1% of credit risk weighted assets. This comfortably exceeds the 1.5% Central Bank requirement. On slide 13, we see that, in the third quarter, Retail Banking and Wealth Management revenues improved 5% year on year. Net interest income grew 8% led by liabilities whilst fee income declined by 1% and represents 33% of total RBWM revenue. Loans grew 7% on increased demand for mortgages, cards and term loans, whilst deposits advanced by 4%.

In August Emirates NBD was named the UAE's Best Consumer Digital Bank and Liv., Emirates NBD's lifestyle digital bank has been named the UAE's Most Innovative Digital Bank by Global Finance. Emirates Islamic's revenue advanced 2% year on year in Q3 driven by a 5% growth in funded income which more than offset a modest decrease in fee income. Financing receivables grew 7% during 2018 helped by growth in manufacturing, trade, FI and retail sectors. Customer accounts grew 1% over a similar period as EI continued to focus on improving its liability mix and cost of funding. As at the end of September, CASA represents 68% of EI's customer deposits.

On slide 14 we see that Wholesale Banking revenue improved 22% y-o-y with net interest income up 25% on the back of loan growth and improved margins. Fee income advanced 11% in Q3-18 y-o-y due to growing non-funded income from Trade and Treasury products. Loans grew 7% since the beginning of the year due to growth in construction, FI and trade sectors whilst deposits increased 1%.

The strong performance in the first half reflects the on-going progress that Wholesale Banking is making towards its goal of becoming the leading Wholesale Bank in the Middle East and North Africa. During Q3-18, Global Markets &Treasury revenues increased 6% y-o-y and 19% q-o-q

The ALM Desk delivered excellent results as they positioned the Balance Sheet to take advantage of rate rises. Treasury Sales witnessed higher volumes in foreign exchange and derivatives due to enhanced product capability and a closer working relationship with Corporate & Institutional clients. Trading delivered a strong performance with significant contributions from both the Rates & FX desks. As mentioned earlier, net-interest income was affected in Q2 by an impairment provision on a legacy private equity investment. The Global Funding Desk raised AED 7.8 billion of term funding in 6 currencies through a mix of public issues and private placements with maturities out to thirty years.

With that I will pass you back to Shayne for his closing remarks

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Shayne Nelson

Thanks Paddy, just in summary. We delivered a strong set of results for the first nine months to 2019 as underpinned by high net interest income and improving provisions. The bank's balance sheet remains solid with the further strengthening the capital in returned earnings, liquidity in ratio and margins continue to improve in 2018 as rate rises flowed through to loan book. However any future benefit from rate rises may be limited start some flights on migration from cheaper CASA to more expensive fixed deposit in this higher rate environment, and also a significant future deposits in the market. And we'll expend our presence in Saudi Arabia with the opening of our first branch in Khobar and an additional branch in Riyadh.

Before I open up for general questions, I thought I will take a few upfront because I know that you are going to ask me. And the first thing I want to do is to apologise to you because I am not going to give you the answers that you want because I have legal and regulatory issues that constrain me from doing so. Let's take Turkey. We are working through the regulatory approvals. There are multiple regulatory approvals that we need. I know you probably want to ask me about price, but I cannot talk about price because of the legal and regulatory issues. On the FOL, again we are proceeding with that. Again, you are going to ask me about the timing, and we all realise in this call how time sensitive FOL is to our share price. I cannot comment on the timing of that for legal and regulatory reasons. And the rights issue as you can see, our capital is very strong and we never linked the acquisition in Turkey with the rights issue but we always said that we wanted to keep it for capital possibilities. And as Turkey has played out, you've seen economically, certainly that is a good thing to do for the AGM to get the approval for that. Again, it's not linked to the acquisition and it's likely to be, if it happens, after the acquisition is finalised. So, again, I apologise that I can't be more specific on Turkey on the ownership units implement but I cannot actually be more considerate. So, if you ask me questions on it, how enterprise – I will not able to give you any more than I just gave you, so apologies for that. With that operator, can you open this call for any questions that hopefully aren't on Turkey ownership units?

QUESTIONS AND ANSWERS

Operator

We will now take our first question from Shabbir Malik from EFG Hermes, please go ahead.

Shabbir Malik - EFG Hermes

Hi. Thank you everyone for this presentation. I have a few questions. The first one is on your deposit mix, your CASA, if you could give us a sense of what you think is a sticky level of CASA for the bank. You know, over the last two quarters, there has been some outflow or conversion from CASA to term deposits, but I just wanted to get a sense of what you think would be a relatively stable level for CASA over the medium to long term given that rates are rising.

My other question is about I just want to get your opinion on the competitive landscape on the corporate side, what have the foreign bank's been doing, were there been any additional pressures on spreads, you know, more competition for foreign banks on the side, you know, any colour on that would be appreciated.

And another question on the recently announced I think that the laws of Central Bank and governing the Central Bank and a commercial banks; do you see this affecting your business in any way, have you had a look, had a chance to go through those rules? Is that something that you have any concerns about? Thanks.

Surya Subramanian

Thanks, Shabbir. I will take the question on deposit mix, touch upon the CB secular and hand over to Shayne to add to the CB secular and to talk about the competitive landscape for foreign banks, corporate especially including foreign banks.

On deposit mix we had signalled even in the previous quarter that we don’t expect the same level of rate rises to flow through into our net interest margin because of the shift that we were beginning to see in Q2. That continued into Q3. And essentially there has been two shifts. One has a shift from current and savings accounts to fixed deposits so that depositors can earn higher rates of interest given the higher levels of interest, the second is from current and savings accounts specially for SMEs and small corporates where they use it for their own working capital needs rather than to pay higher borrowing cost so there is better cash management within those businesses. But it is important to point out that the absolute level of CASA for our value has dropped relative to quarter one, is relatively flat compared to the end of last year.

The reason the mix percentage changed is because all the new money that's coming in is coming in as term deposits. Now, it's difficult to answer specifically what proportion that will lead to either in one quarter or in the foreseeable future but different schools of liquidity behave differently. The salaried accounts that we have which forms the bulk of our retail tends to be transactional, but there is less propensity of that to move to fixed deposits even with higher rates. But the higher ends depositors, the private banking depositors have the ability to earn more if they move their monies around. Corporates are clearly rate-sensitive.

Another factor to remember is we haven't given up on the battle to force CASA. We continue to open new retail account every month on tens of thousands. We continue to push our deposit campaigns. Normally we do it later in the year, this year we have accelerated that as Shayne mentioned to September in the conventional bank. The Islamic Bank is also starting a campaign now. And we have been pretty successful in the past to get retail deposits, SME deposits through our campaigns because there is a significant value proposition for the depositor in participating in those campaigns and then getting to use the bank's products and services.

Nonetheless, the trend is there, we are at that inflection point where some people at the margin will make those choices, and hence we do not want to guide as we did before a significant opening up of net interest margin. You would have noticed that although Q3 margin grew, they grew at a slower pace than Q2 over Q1 for example. And we expect that kind of trend to continue at least for the next one or two quarters. And we might be able to reveal better picture say in the first or second quarter of next year, then those are the margins have moved and then we see the underlying trend resurface.

Shayne Nelson

I think the other thing just to add to that Surya is when you look at the liquidity of the UAE market as entity, there's a couple of liquidity flow going. There's a whole bunch of liquidity that's growing at FAB which is government deposits. So, the competition actually for sticking liquidity that qualifies rather than bank to bank which doesn't to our ratio, it has increased. There is no doubt that we have got an increased competition in the deposit market.

We have also got banks that have woken up the CAP yield story, so we went back in the picture and look at your annual comment from the last quarter where there was a lot of comments in the analysts about all the were on how these banks driving CASA which I never heard before. We have heard about CASA for many years, so we have woken up to the CASA strategy story. So, I think a combination of migration from CASA to term deposits to increased deposits and change of strategy all over the bank is I think is going to limit CASA growth, approx – there is not a lot of new liquidity being generated by the market vs. the government which is on one bank largely.

Surya Subramanian

On the central bank circular, there was a series of circulars issued essentially relating to regulation, capital adequacy provisions on market risks, operational risk, use of breaking agencies for credit risk, Basel III allocate disclosures and so on. None of these were unexpected. They were all discussed in draft form with the banks with the banking committee. And I would say there is nothing new in it, it broadly follows the Basel III proposals that have already been around in the world for a while. There are some minor tweaks here and there.

There is increased reporting responsibility on the bank, some of which will benefit most of you in the call because the pillar III disclosures once they become effective, some of them are on the quarterly basis, some of them are on a semi-annual basis, typically now you get it once a year. And even the annual one has greater information both in terms of the construct of capital ratio as well as certain additional details like details on remuneration, remuneration policies and so on and so forth. So, I think if you look at it from a wider market perspective, disclosure transparency, there is going to be more as well.

Shayne Nelson

On corporate side, we are seeing increased competition in the loan side. I am sure if you look at alternate view, I was just in the bank the other day. If you look at the volumes of Sukuk or syndicated loans, it dropped considerably in 2019. So, the actual capacity to borrow your book is basically having syndicated loans, having any Sukuk and a lot of the new fees have been generated out of syndicated spreads within – come under pressure with quite a lot of pressure from banks that want to grow. Having said that, our growth has been okay, we're definitely taking market share from our competitors. But there is pressure on margins and certainly clients are pushing on margins even that they find hard following cost with legal lineout. So they relatively pushing us to bring all spreads down as well.

I think the combination of that, plus deposits, I don't think we're going to get much spread increase. And our bank growing up year on year effectively, but I think the marketed source has always been modelling, I would think that most banks going forward will have some sort of contraction and spreads rather than expansion.

Surya Subramanian

I'll take some questions now that I have come through the web. Chiro Ghosh, of SICO and Elena from Al Ramz had raised some questions. Chiro asked about our outlook for operating expenses going into 2019, can we expect it to take a down considering international branch expansion may not be repeated. Now, Chiro normally we do not get guidance on next year until we get to January, but on cost, it's a bit easier because we've always maintained a management target of 33%, our cost income ratio was operated within that.

And while the branch expansion itself may have been kicked off this year, if you look at our Saudi branches, we opened them in the third and there's going to be one opening soon in the fourth quarter. So, what you will see next year on all of 12 months of cost as against three to four months of cost this year. So, in that sense, cost would increase. However, there would be other costs that would come up the way we go through our technology, refresh programme, some of it we have spent this year. We continue to spend next year, but depending on how the CapEx, OpEx mix effect technology spread is if it's flow through at normalise amortisation and depreciation in future years.

Shayne Nelson

I think just to add on that. In the technology spend that we normally pay in three years, one of the reasons we may – when we give through the window of logistics spreads coming up. So, actually, we see NIMs expansion coming up the cost of structure on CASA there'll be further window to go through it to keep our cost-income ratio still at a quite reasonable level considering the amount of expansion that we're actually spending in IT indicative of what we're doing. So, we saw that opportunity, it wasn't by accident. We went for it, we had that plan quite a while ready to go.

Now, I would expect we get through the programme we are planning to finish by mid-2020 on the IT transformation. And that's when we should start see a real factoring off, because we have lot of developers and programmers, etc, that we might need once we get through the majority of the work and the transformation. So, we expect the cost of IT to be particularly quite high into mid-20. On staff cost, two years beside IT, we're really trying to pull our heads into 2019 when it comes to staff cost. We don't see that the market demand is such that we're going to need etc., that we've got a lot of at the moment. We would expect to see some cost reduction as we go forward into '19, other than IT and other than Saudi expansion.

Surya Subramanian

And we've been careful to allocate fund against volumes and business growth rather than against the benefits we get from rate raises. As Shayne mentioned, whatever we get of rate raises are programmes costs which we know we can manage over time or gone off to costs which are beneficial in the short term but they need to repeat in the future.

Paddy, I'll handover to you for Chiro's other question which I think Shayne once partly answered earlier. Yes. So, I will line up the question

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Patrick Clerkin

So, Chiro the first part of your question about the liquidity scenario situation in UAE, I think Shayne already addressed that. And then you asked about how easy it is to pass on higher interest rate for the loan book. If you look at our loan profile in terms of maturity and reset, you'd see approximately three quarters of the loan book resets within at three-month period. So, there is ability to pass that on. But what you won't see and what Shayne already mentioned was that the data that we've had in the past from rate rises and we don't expect that to continue into the future because of anticipated higher funding cost, because the dynamics – partly because of the dynamics and the change in the deposit mix in the higher rate environment.

Elena asked can we shed more light in terms of the recoveries that we made in Q3 and do we expect that continue into Q4. I think if you look at the level of write backs in recoveries the bank has had over the last 18 months for example, during that period we've se the NPL ratio improved from 6.3% go to 5.8%. And during that period, we had been signalling for an improve in trends in credit quality. As you see now, we are signalling for the remainder of the year for stable credit quality. But there is also work done in main but we have seen an increase in credit quality over the last 18 months and help write backs and recoveries particularly from legacy loans. And there has been some deterioration across the UAE banking sector. So, there has been a convergence in credit quality between ourselves and the rest of the UAE market. Operator, I'll pass back to you for any further questions

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Operator

We will now take our next question from Divye Arora from Daman Investments. Please go ahead.

Divye Arora - Daman Investments

Hi, this is Divye from Daman Investments. My question is on FOL basically. What we have seen is that the resolution was adopted by the shareholders to increase the FOL in March of this year. And now it's been seven months. So, given that amount of time elapsed, it actually puts a question mark on the intention to open the FOL. Last time when we spoke, you were talking about that you were doing some exercise to improve corporate governance standards internally before you moved to the regulator. Is there something which is holding you back other than this governance standard exercise before you move to the regulator? Thank you.

Shayne Nelson

Okay. I'll take that one. Thank you but I won't answer more on it though. I'll tell you much that I can say. That's all I can say. I apologise, I can't talk about the FOL.

Divye Arora - Daman Investments

But at least, you know, where are you in the process right now?

Surya Subramanian

Well, if we give you an answer on the process, we will be running into a market-sensitive disclosure in a private call again. We will make a market disclosure at the appropriate time

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Operator

We will now take our next question from Vijay Raghavan from Arenco. Please go ahead.

Vijay Raghavan - Arenco

Hi. Good afternoon Shayne, Surya. Great set of results, congrats again to you and the whole team. Two questions. One there have been talks of rumours of banks in Abu Dhabi and potentially banks in the northern Emirates. While these are still rumours, what do you expect the result of this specifically on our bank and the banking sector in general?

And the second question, the inevitable one, the DenizBank, I know you can't be specific but a lot has happened in the last three four months since we spoke on the second quarter results, but in terms of strategy, in terms of direction, I suppose I just wanted a confirmation that there's not been any change in the strategy perspective? Thank you.

Shayne Nelson

I'll take the Turkish one first. Fundamentally we believe that Turkey is a good market and we have not changed our view on that from day one. But if you look at the trade flows between the UAE and Turkey, the demographics of Turkey and how young it is in the size of population, the bank itself the quality of the bank in itself and the management, all those things remained unchanged. And our aim is to execute a transaction. I can't tell you more than that. What was the other one?

Surya Subramanian

The consolidation.

Shayne Nelson

Okay. The consolidation, I think from a consolidation perspective, I talked about this for many years. And I suppose I bring it back to the comment I made historically that when you have bank that digitally advances out, spending in billion dirhams on digital transformation, how this survive, how can we afford to keep funding the digital transformation that is required; not only for consumer bank, but also for the wholesale bank as we move forward. More and more adoptions is coming through the wholesale bank, how can they afford that. So, if they get basically pushed out of the market because of their – they haven't got the capacity to spend what we're spending on the technology, I mean the consumer market valued market share there – they haven't got the capital to make large loans or if they do, they have got concentration risk, if it goes wrong there is trouble.

So, again, they run out of strategic options as to how do they grow in the market and how do they compete in the market and how do they remain relevant in the market. So, to me, if you look at the combination of the four biggest banks in the market may as well if we have that …… 75%. So, you're going to have basically four banks with triple of the market share. And the other 46 not – it's 44 …. another 25%. And I think if you look at most markets around the world, that's not an unusual sort of concentration between the top four or five banks. And I think there will be more mergers of those – and they have a necessity to compete. The reality is in today's age, economies of scale are important, you need that capital, you need that profitability and you need to be able to invest.

Surya Subramanian

The other thing I would add Vijay is people have often asked us whether we are worried about the competitions from a stronger bank in Abu Dhabi and so on. The reality is that the smaller banks that we need to be worried as Shayne said. And if you look at the performance of FAB and NBAD since they merged in Abu Dhabi, I think both companies, both banks have done better. So, it's not as if we suffered because they merged or they suffered because we're doing better than them. They grew, we grew and

I'm sure any other third banks that consolidate will be in a position to grow, plus of course we're busy for the next one or two years in operational matters.

Vijay Raghavan - Arenco

I understand. And these are the – these two banks' results are the brightest spots in the whole economy today for a while now. Thank you so much both.

Shayne Nelson

Thank you. If there are no other any further questions, thank you very much for joining us today. And I will hand it back to the operator to close up. Thank you.

Operator

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

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