National Bank of Kuwait

FY 2019

Earnings Conference Call

23 January 2020

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Edited transcript of National Bank of Kuwait earnings conference call that took place on Thursday, January 23, 2020 at 15:00 Kuwait time.

Corporate participants:

Mr. Isam Al-Sager – Group CEO

Mr. Jim Murphy – Group CFO

Mr. Amir Hanna – Head of Investor Relations and Corporate Communications

Chairperson:

Ahmed El-Shazly – EFG Hermes

Operator: Good day and welcome to the National Bank of Kuwait 2019 results conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Ahmed El-Shazly. Please go ahead Ahmed.

Ahmed El-Shazly: Yes, thank you.

Good afternoon and good morning everyone. This is Ahmed El-Shazly from EFG Hermes, welcome to the National Bank of Kuwait 4Q 2019 results conference call and webcast. It is a pleasure to have with us in the call today Mr. Isam Al-Sager, NBK Group CEO, Mr. Jim Murphy, Group CFO of NBK and Mr. Amir Hanna, Head of Investor Relations and Corporate Communications of NBK. I would like to handover the call now to Mr. Amir Hanna.

Thank you.

Amir Hanna: Thank you Ahmed.

Good afternoon everyone. We are glad to have you with us today on our FY 2019 earnings webcast.

Before we start I would like to bring to your attention that certain comments in this presentation may constitute forward-looking statements. These comments reflect the Bank's expectations and are subject to risks and uncertainties that may cause actual results to differ materially and may adversely affect the outcome and financial effects of the plans described herein. You are cautioned not to rely on such forward-looking statements. The Bank does not assume any obligation to update its view of such risks and uncertainties or to publicly announce the result of any revisions to the forward-looking statements made herein. Also I would like to refer you to the full disclaimer in our presentation for today's call.

After concluding our presentation, we will start addressing all your questions but feel free to type them in at any time during the call. You can also send any follow-up questions to our Investor Relations email address. Finally and for your convenience, today's presentation is already available on our Investor Relations website.

Now let me hand over the call to Mr. Isam Al-Sager, our Group CEO, for his opening remarks.

Isam Al Sager: Thank you Amir

Good morning and good afternoon everyone.

Thank you all for joining us today in our 4th quarter and full year 2019 earnings conference call and webcast.

2019 was another strong year as we delivered healthy profitability while maintaining a robust balance sheet – demonstrating the quality and diversity of both our operational model and earning capacity.

The Bank delivered a net profit of KD 401.3 million for the year 2019, growing by 8.2% over 2018. While for the fourth quarter 2019 results, we achieved a net profit of KD 99.1 million, marginally higher than the comparable quarter in 2018.

Although 2019 saw some subdued activity in tendering and awards of projects, we still believe that the operating environment in Kuwait will continue to derive our growth outlook for the Bank. Given the strong financial position of the government, we expect acceleration in the pace of project tendering and awarding in 2020.

Non-oil GDP growth is projected to reach 2.5% in 2020, and the pipeline of scheduled project awards is very healthy. We remain optimistic with the projects outlook and firmly committed to supporting the delivery of the national development plan 'New Kuwait 2035', as NBK is the most active player in financing flagship projects developed in partnership with the Government.

The Group's strategy that is based on diversification has served us very well over the years and through different economic and political cycles. Our efforts to diversify our assets and income sources, by business segment and by geography proved our ability to record consistent profitability and confirmed the successful risk management strategy that we have in place.

Our diversification strategy continued to play an important role in mitigating risks and diversifying income from across geographies. In 2019, our international operations contributed 28% of the Group's net profit. Similarly, we also saw continued growth at our Islamic Banking subsidiary Boubyan Bank, which delivered a healthy 11.7% year on year increase in profits further boosting our diversified profitability trends.

Going forward, our focus outside Kuwait will remain to organically grow our key markets; namely Egypt and Saudi Arabia. In Egypt, the retail market is an area of high potential for our operations there as the country continues to deliver improving macro-economic trends. While in Saudi, we started operating from our new branches and concurrently continued to grow our assets under management through our newly established wealth management company.

In 2019, we continued pursuing our digital transformation efforts by putting significant emphasis on digitization as a key driver for future growth. Digitization became vital for the Group to remain relevant to its clientele and secure a successful future. Advanced technology, systems enhancement, and smart banking are being pushed to the forefront of the Bank's strategic pathway and through all strategic pillars.

NBK's strategy for 2020 will not deviate from its current trajectory. The Group will continue to increase the diversity of its income across geographies and segments, with the primary objective of achieving superior returns and offering exceptional service to our customers.

We finished 2019 with a landmark transaction as we managed to issue 750 million US dollars perpetual tier 1 securities. The issuance marked a huge success generating significant demand from a very well diversified investor base across the globe. This was translated in an oversubscription of more than 3 times as well as issuing at remarkable pricing. We see this as a real reflection of global investors' confidence in NBK.

Finally, our institutional strength was reaffirmed in 2019 by the world's three top credit rating agencies – Moody's, Standard & Poor's and Fitch Ratings – as they all reaffirmed their ratings for the Group with stable long-term outlooks. These ratings remain the highest in Kuwait and one of the top ratings in the region.

And now let me handover the call to Jim Murphy, our Group CFO, to run you through the quarterly and full year results in more details and to address your questions.

Jim…

Jim Murphy: Hello everyone, and welcome. I am very pleased to have this opportunity to take you through our results in respect of the twelve months period ended December 2019.

We have announced a net profit of KD401.3m for the year. This is an 8.2% increase in bottom line profit over 2018.

The profit for quarter four 2019 was KD99.1m. This compares with a quarter three profit of KD93.1m, an increase of 6.5%. The profit for the quarter was slightly ahead of the corresponding quarter in 2018.

Before going into the details behind our results I would first however like to say a few words as to the general operating environment last year.

Conditions overall remained broadly favorable. That said, whilst good business opportunities were to be had, competition was strong and keenness in pricing was a feature of the market. The general trend however was encouraging and positive momentum was clearly evident in many parts of our business.

Progress continued as regards implementation of the government's multi-year development plan. Although the pace of project awards was below expectations for the year, we are optimistic that the year ahead will be more active.

The implication for the banking sector remains therefore that the direct financing and the cascade or ripple through effect associated with the execution of the development plan will continue to offer solid business opportunities going forward.

Returning now to the operating performance and financial results for the period.

Growth in business activity was solid, with the Groups lending book increasing by 6.8% year on year.

As always, the benefits of a well-diversified base of banking operations was an important feature in our results.

Our International businesses continued to perform strongly, with solid performances across many geographies.

We also saw continued strong growth at our Islamic Banking subsidiary Boubyan Bank. Boubyan Bank delivered an impressive 11.7% year on year increase in profits, to KD62.6m.

We will see later in this presentation the materiality and importance of our fuller diversification agenda when looking at the contributions to total Group earnings made by the various banking footprints enjoyed by the Group.

The Groups operating surplus (i.e. pre-provision pre-tax earnings) was KD591.2m, a 2.6% reduction on 2018. Income growth during the period was 1.4%, whilst growth in costs was 10.1%.

The 8.2% growth in net profit was therefore driven essentially by a lowered cost of risk, with loan provisions totaling KD122.6m, as compared to KD169.3m in 2018.

As regards quarterly performance, the operating surplus for the final quarter of 2019 was KD140.3m. This was lower than Q319's operating surplus, primarily due to lower FX income and higher costs. Q419's operating surplus was similarly down on the comparable quarter in 2018, this time essentially due to tighter margins and higher costs.

Moving now to operating income. Operating income for 2019 was KD895.5m. This compares to KD883.2m in 2018, a 1.4% increase.

The main driver behind the growth in operating income was increased non-interest income, which was 7.0% ahead year on year.

The operating income in respect of the December 19 quarter was KD222.8m. This was just ahead of both the previous quarter and the comparable quarter in 2018.

I will go into the main drivers behind the movements in income, margins and costs in our later charts.

The operating income mix is profiled on the bottom right hand right side of this first slide. 77% of total operating income is in respect of net interest income, and 23% from non-interest income sources. This compares with a mix of 78% and 22% last year.

Moving on now to chart number 2.

Here we will look at net interest income and at the drivers behind its performance.

Net interest income at KD689.2m in 2019 was slightly down on the prior year. Net interest income in 2018 was KD690.5m. Whilst the business delivered strong growth in lending and investment volumes in 2019, the offset of margin attrition served to stall any growth in net interest income that was otherwise possible.

Net interest income for the December 19 quarter, at KD172.2m, was broadly in line with the preceding quarter, but down on Q418.

Interest earning assets averaged KD26.9bn during 2019. This was a 5.0% increase on the prior year. The growth in interest earning assets essentially reflected strong growth in the lending and investment portfolios, the details of which we will look at shortly.

As just mentioned, we experienced a contraction in our net interest margin vis a vis 2018. This was in part due to the timing effect on our book in respect of the increase in the local discount rate that occurred in the earlier part of 2018. Our margins typically boost relatively quickly in a rising interest rate cycle due to the repricing characteristics of our book whilst awaiting the lagged impact on funding costs to take full effect.

If you look at the bottom left hand side of this chart you will see that the net interest margin during the full year 2019 averaged 2.56%. This compares to an average margin of 2.69% in 2018.

The Groups funding cost averaged 2.14% during 2019, as compared to 1.72% in 2018.

The Groups yield averaged 4.45%. This compared to a yield of 4.23% in 2018.

On the bottom right hand side of this slide we can see the constituent drivers that moved the average NIM downwards by 13ps, from 2.69% in 2018 to 2.56% in 2019. The NIM was impacted favorably by 22bps due to the combined movements attaching to loans and other assets, whilst the higher cost of funding impacted the NIM to the extent of 36bps.

Moving on now to chart no 3.

I will firstly address the Groups non-interest income.

Total non-interest income in 2019 was KD206.3m. This was 7.0% ahead of 2018.

The composition of the KD206.3m total non-interest income was KD157.2m in respect of fees and commissions income, KD39.3m in respect of foreign exchange activities and a net KD9.8m from other non-interest income sources.

Fees and commissions income was 4.6% ahead of 2018.

Total non-interest income for Q419 was KD50.5m. This was 4.6% ahead of Q319, and 9.8% ahead of the comparable quarter in 2018. The primary driver behind the year on year Q4 growth was strong fee income, which was 12.8% higher.

I would like to mention here that the sources of fees and commission income remain well spread across our various business lines and geographies. Business lines including lending, credit card, trade finance, asset management and brokerage continued to produce strong fee income on the back of solid operating performances.

As always, the bulk of our non-interest income came from what we regard as core banking activities. The Groups non-interest income is sourced primarily from fees and commissions and from foreign exchange activities. Earnings in respect of trading and investment income remains very small, at less than 1% of total income.

Turning now to operating expenses. Total operating expenses in 2019 was KD304.3m. This compares with KD276.3m in 2018, a 10.1% increase.

There are a number of factors at play explaining the increase in costs and I would like to take time to elaborate on some of these.

One such reason is the selective additional investment into a number of our businesses and geographies. We commenced new wealth management operations in KSA at the end of 2018, with a carry forward impact on costs in 2019. We also embarked upon a modest enlargement of our commercial banking footprint in that country. In addition we continue to press ahead with a moderate expansion in our operations at Boubyan Bank and on our operations at NBK Egypt.

During 2019 we also incurred Brexit related costs on foot of converting our former branch in France into a full subsidiary of the Group as a means of safeguarding business continuity post-Brexit. Some of the Brexit costs were once-off, whilst others will endure given the now changed status of our presence in that country.

In addition to driving forward with the normal business of the bank, we of course remain committed to maintaining appropriate and additional investment into those areas of operation that drive long term and sustained value to the Group.

We continued our ongoing programme of investment in IT and into advancing the Groups digital banking agenda. The global banking model is facing significant challenges, not least from digital advancements by established industry players but also from the rapidly evolving FinTech sector. NBK must respond appropriately to these challenges, and such responses needless-to-say require elevated levels of investment.

In this regard the Group invests heavily in (1) selectively developing and deploying the latest business enabling technology solutions, (2) in refreshing its IT platforms and infrastructures and (3) in ensuring first class cyber security resilience and capabilities.

We are focused on directing investment equally towards technologies that serve to improve the banking services that customers experience and also to technologies that improve the long-term efficiency and effectiveness of bank office operations. In this regard we are investing heavily into robotic process automation, focused on improving efficiency and customer service levels, leading in time to cost saving opportunities.

We recently reinforced the banks executive band-width by way of on-boarding a number of additional senior technology personnel. With this comes a commitment to ramping up the associated investment into additional manpower resources and related IT expenditures.

And whilst on the subject of IT, I can advise that in 2019 we commissioned the Groups new modular data centre in Kuwait City. The data centre is state-of- the-art, complete with a full tier 3 certification.

Staying on the subject of costs, a new accounting standard took effect on January 1st 2019, IFRS 16. The standard impacts on the accounting treatment for leases. This new standard requires an entity to recognize leases on balance sheet at amounts that recognize or value the right of use to an asset for the term of each lease, together with the associated liability in respect of future lease payments.

The salient part of the standard as regards its impact on our income statement is the recognition of the depreciation and interest expense associated with the relevant stock of leases, in lieu of rental expenses being included in other administrative expenses. The substantive impact has been an increase in depreciation and a reduction in other administrative expenses of approximately KD9.7m - essentially therefore a reclassification between expense categories.

So, to conclude on the subject of costs, I can say that whilst our cost to income ratio, at 34.0% has trended upwards of late partly in response to the various cost and investment programmes that add to the long term health and resilience of the Group, we remain satisfied with what is still a very low ratio by international industry standards.

Moving on to provisions and impairments.

Total provisions and impairments in 2019 amounted to KD129.7m. This compares to a total charge of KD179.7m in 2018.

The charge for the December 19 quarter was KD25.1m. This compares to a charge of KD37.5m in Q319 and to KD34.3m in Q418.

Credit provisions in 2019 therefore amounted to 20.7% of the Groups operating surplus, significantly below the comparable ratio in 2018. This is naturally a very welcome development and is in keeping with the expected evolution of our provision charges.

I will take this opportunity if I may to remind you that the Central Bank of Kuwait had earlier determined that the provisioning regime applicable to banks in Kuwait is such that the provision for losses on credit facilities be determined as the higher of expected credit losses under IFRS9 as per Central Bank of Kuwait guidelines, and provisions as computed in accordance with CBK rules and instructions.

As the latter instance prevailed, we therefore computed an ECL charge in respect of non-credit financial assets only, the income statement impact of which was KD4.3m.

And finally, on the subject of provisions, note that as at year end 2019 the expected credit losses on credit facilities determined in accordance with IFRS 9 was KD395m, whereas the existing pool of provisions for credit losses totaled KD541m.

Moving on now to chart no 4.

I would like on this next chart to expand on the matter of the contributions made to Group earnings by the International and Islamic banking arms of the Group.

NBK is unique amongst Kuwaiti banks in terms of its geographical spread of operations, and also because of its ability to conduct business in both conventional banking and Islamic banking. This diversification gives a significant degree of resilience to Group earnings and provides what we consider a strong competitive advantage to the Group.

On the international side and as mentioned earlier, we established a new CMA regulated Wealth Management company in KSA in late 2018, and in 2019 we opened two additional commercial banking branches in that country. This is significant as it now gives NBK a presence and enhanced reach in three cities, Jeddah, Riyadh, and Al Khobar.

We have also recently reinforced our private banking capabilities by creating an overarching Group level Private Banking structure that is tasked to grow and optimally coordinate our private banking businesses across our international network.

And as mentioned earlier, the Group did not escape the headaches and costs associated with Brexit. In order to best protect our business presence in Europe, we converted our operation in France into a fully-fledged subsidiary of the Group, from its earlier status as a branch of our UK subsidiary NBK International plc.

Returning now to the chart - the purpose of this chart is to demonstrate the impact of business diversification on the Groups financial results.

Looking firstly at diversification by geography.

Operating income at our international operations, grew by 5.5% to KD220.7m as compared to 2018. The profit contribution from our international operations however, at KD112.2m, remained broadly in line with the prior year. A large part of this disconnect is due to the increased investments and associated costs into our international businesses as already mentioned.

You will see from the pie chart on the top right hand side of this chart that the contribution to total Group operating income from our International operations was 25%, slightly up on the 24% of 2018.

The contribution to total Group profits however in respect of our international operations reduced to 28%, from 30% in 2018. This decline however was essentially due to the falling cost of risk at Kuwait.

NBK is currently present in 14 countries outside of Kuwait, including of course in Egypt. NBK Egypt increased its number of branches during the course of 2019, from 49 to 51.

Moving on now to the Groups Islamic Banking arm, Boubyan Bank. Boubyan continues to perform strongly, delivering a net profit of KD62.6m in 2019. This compares favorably to a KD56.1m net profit in 2018, representing as it does a strong year on year increase of 11.7%.

And finally on this chart, we see that the profile of assets was such that 44% of Group assets were at our conventional banking operations in Kuwait, 38% at our International operations and 18% at Boubyan Bank.

Moving to chart number 5.

On this slide we will look at some of the movements in key volumes during the period.

Total assets reached KD29.3bn at year end 2019. This is a 6.7% increase on December 2018. As mentioned previously, the increase was driven primarily by strong growth in lending and investments.

Group lending increased to KD16.6bn, an increase of over KD1bn in the twelve month period to December 2019. This reflects a solid year on year growth of 6.8% in challenging conditions.

Customer Deposits, at KD15.9bn, were 10.7% ahead of December 18 - and just for purposes of clarity please note that customer deposits as defined here do not include deposits taken by the Group from financial institutions. This is in keeping with the presentation of customer deposits in our published financial statements.

An important underlying message here is that within the headline numbers we continued to see a favorable movement in the Groups overall funding mix. We experienced very strong growth in core franchise deposits, noting in particular excellent growth in deposits at the retail banking arms of the Group in Kuwait, both conventional and Islamic.

The growth in retail deposits reflects a sustained focus on the deposit gathering aspects of our business in recent times, leveraging NBK's long standing ability to capitalize on the Groups strong brand, customer appeal and credit ratings.

The Groups overall funding mix is profiled on the bottom right hand of this chart. Customer deposits comprise 65% of the total mix, which is higher than 2018's 62%.

Moving now to the next chart.

Here we will look at the impact that the 2019 financial results had on certain key performance metrics.

The Return on Average Equity in 2019 was 12.3%. This compares to 12.0% in 2018.

The Return on Average Assets was 1.42%, the comparable returns being 1.38% in 2018.

The total Capital Adequacy Ratio at year-end 2019 was 17.8%. This compares to 17.2% at year-end December 2018. You will know that 2019's capital position benefitted from NBK's issuance of $750m RegS/144 perpetual non-call 6 year Tier 1 capital securities, with a 4.5% coupon. This was the lowest rate for any GCC bank issuance, and a very clear testimony to NBK's strong position in the international marketplace.

The Tier 1 capital ratio at December 19 was 15.9%, whilst the CET 1 ratio was 13.5%.

As regards asset quality ratios, the NPL ratio at year-end was 1.1%, with coverage at 272.2%. These ratios show a notable improvement on earlier periods.

Before concluding, allow me to quickly summarize the events that characterized our financial performance in 2019, and to comment on how 2020 might be expected to unfold.

The overall levels of business activity through 2019 were satisfactory. Strong asset growth was recorded, most notably a healthy 6.8% increase in lending, countered however by contracting margins.

Coupled with the timing of the resultant headwind to operating income is the fact that the Group is currently going through a period of elevated spending especially in respect of its digital banking agenda, with a consequent impact on our income statement.

The other salient feature of the year's financial results of course was the earnings relief that we had by way of a falling cost of risk.

This therefore is very much the prevailing context as we turn to expectations for 2020. All things considered, we broadly expect the year ahead to be characterized by these same dynamics.

Business growth momentum remains solid. At this stage we would expect to see similar levels of loan growth though the course of the coming year, i.e. in the mid to high single digit range.

The net interest margin next year is expected to be tighter than 2019, and broadly in keeping with the NIM that we saw in the final quarter of 2019. Underpinning this margin expectation is a working assumption that interest rates will remain broadly unchanged though the year ahead, with no change to key benchmark rates.

Our cost to income ratio is expected to rise slightly this year relative to 2019. Tighter interest margins, influenced by a challenging rate environment and an increasingly competitive landscape, together with the continuation of our investment programme in support of various group initiatives will work to move this ratio upwards. The Group will continue with its strategy of investing in people and in emerging technologies, and selectively into reinforcing its geographic footprint in order to best protect the earnings power of the bank into the future.

As regards the Groups cost of risk. We are assuming at this stage a similar cost of risk in 2020 as 2019, with perhaps some potential for improvement. The positive news is that the directional decline from earlier periods is not expected to reverse.

Therefore, aggregating all relevant factors and assuming the reasonableness of the above, we currently expect 2020 earnings growth rate to be not too dissimilar to that of 2019, that is in the mid to high single digit range.

Finally, turning to the capital adequacy ratio. The total capital adequacy ratio at the year was 17.8%, benefiting as it did from the $750m AT1 infusion in the final quarter of the year. Looking forward to the end of the current year we expect to maintain the ratio above 17%, a level that is comfortably in excess of our regulatory minimum requirement and is in keeping with the risk appetite of the Group.

That brings an end to my presentation.

Thank you very much for your time.

Now back to Amir.

Amir Hanna: Thank you Jim, and thank you everyone for listening to our presentation.

We will just pause for a minute as questions come in and then we will start answering them one by one. If you have any questions, start entering it on the webcast

We got few questions here, the first question is mainly focused on liquidity, funding and trends in NIMs in 2020.

Jim, you want to comment on that.

Jim Murphy: Yes. Liquidity is good, the real question here is NIMs. Last year was charactized by a falling NIM and obviously looking to the coming year the key thing is how will the NIM perform. We are in a situation where we are writing very good business volumes, but it is very difficult to move forward the needle on net interest income.

We expect the NIM to stabilize for now. The NIM in 4Q will probably prevail, we do not foresee any change in that. The NIM that we went into last year with fell through the course of the year primarily because funding costs caught up. There is always a lagged impact when an earlier interest rate change happens.

If you look at Q4, which reported at circa 2.45, this should likely hold through the course of the coming year.

To offset the impact of that margin attrition year on year, we obviously have to perform quite well on the business volume side. The pipeline is quite good in that regard and we are optimistic that we can perform quite well on that front.

Amir Hanna: Ok few questions on asset quality trends, the trends in 2019 and the outlook. Also on the difference between IFRS9 and existing provisions

Jim Murphy: A key performance feature of the group over the years has obviously been our cost of risk. We have been navigating our way out of the regime whereby we were carrying elevated levels of judgmental provisions. We are working our way out of that quite well. We saw a good fall in the ratio through last year. In terms of going forward, as I mentioned earlier, we are assuming a cost of risk that is more in keeping with our current ratio, and less than earlier periods. We don't expect to see a deterioration in asset quality. If anything, we could see an improvement as regards the cost of risk. There are no guarantees of course. We are assuming a stable cost of risk as we go forward through the course of the next couple of quarters. There is potential for improvement but we cannot be sure. In terms of IFRS9, I think we mentioned 395 million as the computation per IFRS9, whilst we are carrying provision pools of 530, or something like that. So very comfortable headroom built over the years through the judgmental provisioning times.

Amir Hanna: I think that addresses 4-5 questions on NPL trends and IFRS 9. There are couple of questions on capital generation in Q4 and why it was strong? It is more of a technical part on the capitalization of Retained earnings at year end.

Jim Murphy: The main feature in capital was the Tier-1 issuance at the end of the year, plus the normal technicality that happens with retained earnings. In terms of Capital adequacy we don't include retained earnings through the course of the year in the interim computations. There is always a pickup in Q4, supported this time by the issuance of the $750 million.

Amir Hanna: Again, questions on guidance which are clearly stated in the presentation; expectation on loan growth in 2020, expectation on cost to income and that is all in the guidance slide in the presentation that is already on the website, it will guide throug.

What was the CASA ratio in 2019?

Jim Murphjy: The Group level CASA. It stands at around 35%. We have higher levels of CASA in our home market, Kuwait. But on a Group level, approximately 35-40% depending on how one defines CASA, would be our typical ratio.

Amir Hanna: Another question on fee trends in 2019 and what is the outlook for it in 2020?

Jim Murphy: We had good fee income last year. Business activity levels had been very good. Many lines of business performed strongly. Typically, we see good income streams in respect of our trade finance business and our cards business. Last year we had a very good activity in our asset management business. In fact asset management contributed a significant amount to our fee growth year on year. We are investing in that line of business. I think I mentioned earlier that we are re-enforcing our bandwidth around our wealth management and private banking businesses and are optimistic that going forward we will see incremental improvements to our fee line because of that focus.

Isam Al Sager: we expect next year of something similar. The same trend to continue and we are optimistic and more positive for the fee income generation next year.

Jim Murphy: A comfort for the fee line stems from the fact that we have many lines of business and many geographies. That diversification gives comfort for sustaining the momentum that is there. We are confident that next year will be quite similar to the year that we just put behind us.

Amir Hanna: we will just wait for a couple of more minutes for any more questions and if we don't have anything else we will just conclude the call.

We will take a final question that came in on cost to income ratio and the reason it has risen recently and what are we expecting in 2020?

You have addressed it Jim but if you can just give a couple of comments to clarify.

Jim Murphy: Yes. Just to summarize, there is definitely a headwind on the income side, margins are tightening. NBK and banks globally are operating against a troubled margins backdrop. We are struggling to grow the top line in these margin conditions; despite the fact that we are writing very good business. The margin attrition takes its toll. However, the easy thing to do would be to cut back on cost but we decided not to. We are investing in the long-term health of the business. We are investing very heavily in IT. I think that is a very wise thing to do.

The arithmetic simply is that we will see an increase in cost to income ratio. We believe that it is temporary, and believe that it is the right thing to do. We are guiding the mid 30's and I think this is realistic at this stage. We will hopefully, in time, see a reduction in that number. For now it is prudent and the right thing to run the business in such a way that we will see the cost to income ratio at around the mid 30's.

Amir Hanna: For the sake of time at this point we will just conclude our presentation. We will answer more questions or any follow up questions as we receive them on our website on the investor relations email. So please feel free to do that. At this point I will return the call to the operator for conclusion.

Operator: This concludes today's call.

Thank you for your participation. You may now disconnect.