Gulf Bank posts 20% growth in profit in H1 2015

Total shareholders' equity increased to KD 525 million

KUWAIT: Gulf Bank yesterday announced a net profit of KD 18.7 million for the first half of 2015, up 20 percent from KD 15.6 million over the same period in 2014. Operating profits before provisions were KD 55.8 million against KD 53.7 million for the same period last year. The Net Interest Margin and Fee income witnessed strong growth, which contributed to the overall improvement in the performance at the bank. The Capital Adequacy under Basel III stood at 15.3 percent against the regulatory requirement of 12.5 percent. The bank's non -performing Loans (i.e. 'NPL') ratio also continued to improve to 3.1 percent at the end H12015 decreasing from 5.1 percent a year earlier. The NPL total coverage ratio also increased to 307 percent at the end H12015, against a 225 percent coverage at the end of H12014.

Commenting on the results, Omar Kutayba Alghanim, Gulf Bank's Chairman said: "I am very pleased to report the steady progress the bank has made so far this year, recording 20 percent growth in net profit, and double digit growth in our core operating profit. Gulf Bank recently received an upgrade from Standard & Poor (S&P) where the bank's long-term credit rating was raised to A- from BBB+ with stable outlook. This is yet another confirmation that the guidance of the Central Bank, the efforts of the Board and our staff supported by the trust of our customers are leading the bank in the right direction."

Cesar Gonzalez-Bueno, Gulf Bank's CEO said "Our results for the first half of the year reflect the bank's ability to deliver good results and the positive trend we have seen in previous quarters continues. We have made significant investments towards enhancing the bank's infrastructure, systems and processes, we are also actively recruiting talent. The product and services enhancement is advancing well and we will soon start seeing these coming to the market. Our sales force is active in the market and satisfying our customers. We all feel the momentum of a change in trend at the bank."

Omar Alghanim

Cesar Gonzalez-Bueno

Gulf Bank continually seeks to be innovative, to raise standards, and set the benchmark for banking excellence in the region. The bank is frequently honored with prestigious awards and accolades. Most recently the bank won "Best Retail Bank in Kuwait" by The Asian Banker, "Best Retail Bank in Kuwait" and "Best Retail Customer Service Bank in Kuwait" awards from International Finance Magazine (IFM), "Best Commercial Bank" and "Best Innovation in Retail Banking" awards from International Banker, "Best Customer Experience Overall Branch" from Ethos Integrated Solutions, "Best Car Loan" and "Best Customer Service (Retail)" from Banker Middle East.

Factbox

Sanctions on Iran oil sector

Iran and six world powers reached a nuclear deal yesterday, capping more than a decade of negotiations with an agreement that could transform the Middle East, and which Israel called an "historic surrender". Under the deal, sanctions imposed by the United States, European Union and United Nations would be lifted in return for Iran agreeing long-term curbs on a nuclear programme that the West has suspected was aimed at creating a nuclear bomb.

International sanctions imposed to force Iran to curb its nuclear program have halved its oil exports to just over 1 million barrels per day since 2012, and hammered its economy. A complex range of restrictions have been imposed over several decades - the first of them in 1979, after Iranian students stormed the US Embassy in Tehran. But the major oil-related sanctions were imposed by the United States and the European Union in 2012 to pile pressure on Iran over its nuclear programme. The sanctions are multi-layered, and will take time to remove fully.

Iranian state news agency IRNA reported yesterday economic and financial sanctions will be lifted when implementation of the deal begins. Here is a summary of the measures currently in force, which US Treasury Secretary Jack Lew has estimated have cost Iran more than $160 billion in oil revenue alone since 2012:

US Sanctions

American companies and individuals are prohibited from trading directly or indirectly with Iran's oil and gas sector, the government of Iran, or individuals connected to the oil and gas sector or in any financing of it. US interests are also prevented from investing in Iran's oil and gas industries. US sanctions can also target financial institutions that engage in transactions with the state-owned National Iranian Oil Company or its subsidiary, Naftiran Intertrade Company. Companies or individuals who breach the sanctions risk significant fines, asset freezes, being cut off from the US dollar banking system, or even being blacklisted themselves.

EU Sanctions

The EU has also imposed sanctions prohibiting trade with Iran's oil sector. This includes any business with any part of Iran's energy sector or government agencies related to it and any investments in that industry. EU sanctions also prohibit European firms and individuals from importing or purchasing Iranian crude oil, petroleum products or natural gas, assisting in the construction of oil tankers, or supplying vessels to transport or store oil or petrochemical products.

Shipping and Insurance

Iran's oil sector has found it increasingly hard to transport oil or insure cargoes. EU and US sanctions have blacklisted Iran's shipping sector, including its top tanker owner NITC, meaning US and European companies are prohibited from trading with it. NITC is Iran's main transporter of oil. The main port operator, Tidewater Middle East Co, is also subject to sanctions, which has complicated shipments from export terminals. Iran has also been prohibited from securing the services of international ship classification firms, which certify that vessels have met the safety and environmental standards necessary to obtain insurance and access to ports. — Reuters

TEHRAN: An Iranian street vendor waits for customers in downtown Tehran on July 12, 2015. — AP

Iran gears up for trade and investment boom

Biggest economy to rejoin global system in decades

DUBAI: Iran is preparing for a trade and investment boom that could reshape the region after agreeing with world powers to curb its nuclear program, paving the way for sanctions that have stifled its economy to be lifted. With just under 80 million people and annual output of some $400 billion, Iran is set to be the biggest economy to rejoin the global trading and financial system since the break-up of the Soviet Union over two decades ago.

"This is the deal that we have been waiting for, the one that will open the doors," said Iranian investment banker Xanyar Kamangar, founding partner of Griffon Capital, an asset management and corporate advisory firm in Tehran. The toughest sanctions look likely to remain in place for at least several more months; the agreement says measures such as U.S. and European banking restrictions will be lifted only when the International Atomic Energy Agency has verified that Iran is keeping to its side of the bargain.

For this reason, and because Iran needs to repair its dilapidated infrastructure, some of the benefits of lifting sanctions will be slow to come. It may take years for oil exports to return to the pre-sanctions levels of four years ago, almost three times the 1 million barrels per day that Iran exports now. But the nuclear deal will provide an immediate boost to Iran by making companies around the world more comfortable dealing with it, and by encouraging the Iranian diaspora to send money home, businesspeople said.

Neighbouring countries will feel the impact fastest. Although most Gulf Arab oil exporters may lose out as the prospect of more Iranian supply pushes down crude prices, trading centres such as Dubai can look forward to resuming their traditional role as a hub for business with Iran.

Industry Idled

Economists estimate that a third of Iranian industry may have been idled by the sanctions, which the US Treasury estimates cut Iran's GDP by a fifth; much of this could now revive as trading ties with the West are re-established. Meanwhile, the modernisation of Iran's oil industry, and infrastructure projects that were put on hold during the sanctions years, are expected to boost imports of commodities such as cement and steel. Iran's trade with the European Union last year totalled Â7.6 billion ($8.4 billion). In 2011, before banking sanctions hit, it was Â27.8 billion - a measure of the ground that may be recovered.

Portfolio investment into Iran may also increase quickly, as frontier market funds enter a $100 billion stock market that is very cheaply valued by international standards. Further out, many firms are likely to establish a presence in Iran through representative offices, partnerships and franchise agreements. Some Western fast food and clothing franchises are already present, operating via Turkey, Tehran businessmen say. Large-scale foreign direct investment may take at least a year or two; big Western firms will want banking networks to be rebuilt first, and will be wary of provisions for sanctions to "snap back" if Tehran is seen to violate the agreement.

But Iran is hungry for foreign capital. Mohammad-Baqer Nobakht, head of the state Management and Planning Organisation, said last week that Iran's 2016-21 development plan would need investment of $361 billion; he estimated only $204 billion could be raised domestically, leaving the rest for foreign sources. The five-year plan envisages annual economic growth of 8 percent, matching Asia's "tiger economies" during their boom years. Private economists think that level is possible if the government removes red tape and deregulates the labour market.

Catching Up?

Iran has as large a population as the six wealthy Gulf Arab oil exporting states and Iraq combined. For most of the past decade, those states boomed while Iran struggled; now the pattern may shift radically. "Iran could turn into an engine of economic growth for the whole region," said Ramin Rabii, chief executive of Tehran-based financial firm Turquoise Partners. With its several hundred thousand ethnic Iranian residents, Dubai in particular is likely to be used as a staging post for foreign companies going back into Iran. Energy-hungry Oman may be another beneficiary. Last year it agreed to import gas from Iran in a deal that would involve building a $1 billion pipeline across the Gulf; with sanctions lifted, the project looks more likely to go ahead. Regional transport and logistics companies could also prosper from an Iran boom. Shares in Dubai port operator DP World climbed 1.4 percent on Tuesday; Kuwait-based logistics giant Agility gained 1.5 percent.— Reuters

Sanctions go, but Iran must wait for economic recovery

TEHRAN: Iranian trade will be boosted by a lifting of nuclear-related sanctions but the country needs billions of dollars of investment and meaningful economic gains are likely to take many months. The deal between Iran and world powers announced in Vienna yesterday paves the way to an opening for international companies who have long seen the Islamic republic as an untapped market. A decade of difficulties linked to the country's nuclear program, however, has left problems as well as opportunities, experts say.

With Tehran under suspicion of plotting to develop an atomic bomb under the guise of civilian energy production, the UN first imposed economic sanctions on the Islamic republic in 2006. In 2012, the United States and the European Union ratcheted up the pressure, slapping punitive measures on Iran's energy and banking sectors. Lacking effective tools for making international cash transfers - Iran was barred from the SWIFT banking network - the economy tanked as cash dried up.

But even when sanctions are lifted, other basic steps must be taken to turn the economy around, according to Daniel Bernbeck, managing director of the German-Iran Chamber of Commerce. "Iran needs technological and industrial development and it will cost billions of dollars unless investors come back," he said, noting huge interest from German companies that have visited Tehran. Iran's market of 78 million people and educated workforce were important pluses for those looking to put money into the country, he said. The election in 2013 of President Hassan Rouhani, a moderate, signalled a change in Iran's economic policy.

Risks and Rewards

Talks with the P5+1 powers - Britain, China, France, Russia and the United States plus Germany -started in September that year and an interim agreement two months later gave Iran some sanctions relief in exchange for curbs on its nuclear activities. Those steps helped Iran exit two years of recession, with three percent growth last year. Rouhani's government, which wants foreign investment, has also managed to bring inflation down to 15 percent from 42 percent, helping stabilise Iran's currency the rial, which had previously lost two thirds in value.

But without a surge in funds and a new economic push those gains are in jeopardy, according to David Ramin Jalilvand of the European Policy Centre in Brussels. "It will take at least until early 2016 before the energy-related sanctions are lifted," he said, noting the need for UN nuclear monitors to verify Iran has met its commitments. Foreign companies may be reluctant to invest in Iran, given the risk that sanctions may be re-applied if Tehran is deemed to have breached its promises.

Rouhani admitted in June that "weeks or even months will pass" between the signing of the agreement and sanctions relief. Iran's energy sector is considered a juicy target. With the fourth largest oil reserves and the second in gas, Iran has the biggest combined energy deposits in the world. The oil ministry has announced it intends to attract up to $100 billion of foreign investment to modernise the sector, which has been underdeveloped for a decade. Production has dropped below three million barrels per day (bpd) since 2012, while exports almost halved to 1.3 million bpd - against 2.5 million bpd in 2011.

Need for Reforms

Iran could produce an extra million barrels per day in the six months following the end of sanctions, Oil Minister Bijan Zanganeh has said. And by changing the structure of its oil contracts, the ministry is trying to lure back oil majors - which sustained big losses by having to leave. Dutch-Anglo energy giant Shell and Italy's ENI have both sent envoys to Tehran for talks. But finalising the new contracts - the process started after Rouhani's election - has been a drawn-out affair. An unveiling of terms in London in September has been deferred until December.— AFP

Iran merchants in Dubai await sanctions relief

DUBAI: Loading goods onto vessels anchored along Dubai Creek, Iranian sailors and businessmen await the long hoped-for lifting of Western sanctions against Iran to boost business between the Gulf neighbours. Iran and world powers yesterday reached an accord in Vienna that would rein in its nuclear program in exchange for an easing of the crippling sanctions against the Islamic republic. Global oil prices plunged even as details were still emerging of the deal that would end a 13-year standoff, in the first sign of the huge economic impact of such a historic accord.

"If sanctions are lifted, our work will increase and it will become easier," said Mohammed Hasan Zara, an Iranian captain at Dubai Creek, as he packed foodstuff, cutlery, and auto and computer parts onto a wooden dhow destined for southern Iran. Since 2006, the UN Security Council has imposed four sets of sanctions against Iran over its suspect nuclear ambitions. The United States and European Union have enacted even tougher measures that target the country's energy and banking sectors.

The sanctions have taken a heavy toll and affected historically strong trade ties with Dubai - home to a 400,000-strong Iranian community that runs a vast business network. "We used to go twice a month to Iran and come back. Now we can't even get enough cargo to go once every month," said Zara, a trader who speaks Arabic and Farsi. Hossein Haghighi, vice president of the Iranian Business Council in Dubai, recalls that some banks in the United Arab Emirates had closed down the accounts of Iranians in the country. "If the sanctions are removed, some banks will start opening accounts for Iranians and business will improve," said Haghighi.

Emirati businessmen dealing with Iran - the UAE's fourth-largest trading partner - had also faced restrictions, he added. UAE Economy Minister Sultan Al-Mansouri said last month non-oil trade with Iran amounted to $17 billion in 2014 but remains lower than the record $23 billion in 2011 before sanctions began to bite.

Centuries-Old Ties

Dubai has long been at the forefront of trade ties with Iran. Its ruler Sheikh Mohammed bin Rashid al-Maktoum last year appealed for the sanctions against Iran to be lifted, complaining his emirate had suffered from the punitive measures imposed on its neighbour . A hub for finance and transportation, Dubai is home to Jebel Ali Port, the biggest and busiest facility of its kind in the region which is expected to benefit enormously from a relaxation of the sanctions.

Haghighi said he expects trade between the UAE and Iran to surge by between 15 and 20 percent within the first year of the sanctions being lifted. "There are more than 10,000 companies in the UAE which one way or another have Iranian ownership," he said. Most are active in the oil, gas and food industries. This month, Dubai's Emirates Airline announced it will launch in September a second route to Iran, with a new service to the city of Mashhad.

Trade between Iran and the UAE is centuries-old, despite a dispute over the ownership of small Gulf islands now controlled by Iran. Following the 1979 Islamic revolution, many Iranians fled to Dubai, escaping the social restrictions enforced by Tehran's new rulers. Opposite the concrete wharf where Iran-bound goods await collection are the offices of Bank Melli Iran and Bank Saderat Iran - two Iranian lenders that are under the sanctions.

In a nearby bustling market, where Persian is a commonly spoken language, the scents of Iranian spices fill the air. Mohsen Yousuf, whose family settled in Dubai 70 years ago, has also been keeping a close watch on the talks in Vienna. "If the sanctions are lifted, people will be able to come here and open businesses," says Yousuf, sitting in his shop that sells a range of Iranian goods, from tea to oil and spices like saffron. Merchants are currently only allowed to bring in 20 kg of spices every three months, he says. "But, God willing, if the sanctions are lifted we can earn more... We could be allowed to bring up to 100 kilograms." — AFP