

Business

# Fitch Ratings affirms Gulf Bank's rating at 'A+' with 'Stable' Outlook

## Bank's Viability Rating at 'bb+' affirmed



Dalal Al-Dousari

**KUWAIT:** Fitch Ratings has affirmed Gulf Bank's Long-Term Issuer Default Rating at 'A+' with a 'Stable' Outlook. Fitch has also affirmed the Bank's Viability Rating at 'bb+'. According to the recently published Fitch Ratings commentary, Gulf Bank has an adequate franchise in Kuwait, both in retail and corporate banking. The large branch network and good brand support the Bank's distribution capabilities.

The Bank has a competent management team, which is highly experienced in local and regional banking, with a good record of strategy implementation in Kuwait, said Fitch. Fitch Ratings

referred in their commentary to Gulf Bank's fairly stable operating environment, adequate franchise, resilient asset quality, well-managed liquidity, good delivery on strategic objectives and adequate capitalization. Fitch stated that Gulf Bank continues to demonstrate stability in core earnings and profitability metrics, supported by an average 12 percent increase in net profit for the last five full financial reporting periods.

Commenting on Fitch's credit rating announcement, Dalal Al-Dousari, Gulf Bank's Head of Investor Relations said: "We are very pleased to receive the affirmation of our Bank's

Long-term Issuer Default Rating at "A+" with a "Stable" outlook by Fitch Ratings. "This is an international acknowledgement of the Gulf Bank's sustained improvement in asset quality and profitability, solid capital and sound liquidity position." Added Al-Dousari. Gulf Bank continues to be well recognized in terms of its credit worthiness and financial strength internationally as it is rated "A" by all four leading credit rating agencies. In addition to Fitch Ratings recent affirmation, Gulf Bank has a Long-term Foreign Currency Rating of "A+" with a "Stable" Outlook by Capital Intelligence Ratings, an

Issuer Credit Rating of "A-" with a "Stable" Outlook by S&P Global Ratings, and a Long Term Deposits rating of "A3" with a "Positive" Outlook by Moody's Investor Services.

Gulf Bank is one of the leading conventional banks in Kuwait with total assets of KD 6 billion as of 30 June 2019. The Bank provides a broad offering of consumer banking, wholesale banking, treasury, and financial services through its large network of 58 branches and more than 200 ATMs in Kuwait. The Bank was founded in 1960 and is listed on the Kuwait Stock Exchange (Boursa Kuwait) since 1984.

NBK ECONOMIC REPORT

## Dull week for markets amid Brexit drama

**KUWAIT:** Last week eyes were focused on an awkwardly mirrored situation that involved Donald Trump and Boris Johnson, in an otherwise dull week in terms of market movers.

In the US, House Speaker Nancy Pelosi announced last Tuesday that an impeachment inquiry into President Donald Trump has begun. The announcement followed reports that Trump pressed Ukraine's President Volodymyr Zelensky to investigate former VP Joe Biden and his son, confirmed by a telephone conversation released by the White House. Pelosi spoke on Capitol Hill, saying "the actions of the Trump presidency revealed the dishonorable fact of the president's betrayal of his oath of office, betrayal of our national security and betrayal of the integrity of our elections." Trump responded by blasting the impeachment move saying "So bad for our Country!" More than half of the House's 235 Democrats support an impeachment investigation, though it still is not enough for impeachment which requires a majority of the House.

For the UK on the other hand, the Supreme Court on Tuesday came with a landmark ruling that UK Prime Minister Boris Johnson's decision to suspend parliament was "unlawful". The ruling meant that the prorogation came into a halt and MPs reconvened on Wednesday. It was clear that the judgment took MPs by surprise and that there was no clear plan on what happens next. The court's decision received stormy applause and relief across Europe, with the media using boxing metaphors such as calling the ruling a "punch in the face" for Johnson. It is important to note that the positive reaction from the European side was not because they think the court's decision will contribute to cancelling Brexit. Rather, the Europeans were thrilled to see the Supreme Court stamp out what they viewed as the Johnson government's attempt to undermine UK parliamentary democracy and the rule of law.

Labor Party leader Jeremy Corbyn gave a speech on the same day announcing that the party is backing away from tabling an immediate vote of no confidence in the Prime Minister. A senior Labor figure said that the party would be "crazy" to launch a vote of no confidence because it could give Johnson an opportunity to take the UK out of the EU without a deal under the cover of an election campaign.

On Wednesday, the Parliament reconvened in what Speaker John Bercow described as a "toxic" atmosphere in the

House of Commons. Johnson gave a speech that was seen to be controversial at best, during his speech he said that the Supreme Court was wrong in its ruling, while attacking Labor MPs with crude and severe language. Johnson went on to say that "Parliament does not want to honor its promises to respect the referendum" continuing "Parliament will keep sabotaging the negotiations because they don't want a deal" he even invited the Labor Party to table a vote of no confidence against him. Jeremy Corbyn gave his reply to Johnson's speech saying that "It was like his illegal shutting down of Parliament, null, of no effect, and should be quashed." Corbyn said that both he and Johnson want a general election, telling Johnson "get an extension and let us have an election."

Johnson's performance makes it hard, if not impossible, to secure the support of Labor MPs for any Brexit deal. To get a deal through the Commons, the Prime Minister needs around 20 Labor MPs to back him. Following Wednesday night, it's hard to believe any of them will march into the Tory division lobbies. Second, Johnson's language suggests he is already looking ahead to what happens when he fails to get a deal. He will have to agree an extension of Article 50, a colossal embarrassment after he has repeatedly said the UK would leave on October 31. He will then move to a general election.

Johnson also insisted he would plough ahead with negotiations to get a deal to exit the EU by October 31. But as UK negotiators returned to Brussels for talks on Wednesday, EU officials remained pessimistic about the chances of solving the Irish backstop conundrum.

The Bank of England had its say on the Brexit conundrum. Member Michael Saunders said on Friday that the regulator may have to cut interest rates even if the UK avoids a no-deal Brexit, adding that "it probably will be appropriate to maintain an expansionary monetary policy stance and perhaps to loosen further." Saunders said the UK economy had weakened markedly in recent quarters, depressed by high Brexit uncertainties and softer global growth.

The sterling did not bode well to all of the drama surrounding Brexit, it started dropping from its 1.2503 high after the Supreme Court's ruling on Wednesday to reach a low of 1.2270 after the BoE's statement, but then saw a slight rebound to close the week at 1.2292. The fall in Sterling is also attributed to a strengthening dollar, which had a good week deriving some support from better than expected economic data as manufacturing PMI came at a better than expected 51.0 while Services PMI topped the month before at 50.9. It was also supported by a comment from Donald Trump that a trade deal with China could happen "sooner than you think." The greenback reached a year high 99.301 on Friday and then cooled down to close at 99.125.



Mixed data

US consumer confidence suffered its largest drop since the beginning of 2019 in September, far greater than economists' expectations. The index of consumer attitudes fell to 125.1 from a downwardly revised 134.2 the month before. Expectations for the job market and global economy deteriorated, posing a risk to the main driver of growth - household spending. Still, the overall measure remains higher and within the range of the past year, suggesting consumers will continue to support the expansion though at a moderate pace. Core durable goods orders came at a better than expected increase of 0.5 percent, surpassing forecasts of a 0.2 percent increase and reversing the previous month's decrease of 0.5 percent. Personal Spending was more in line with the consumer confidence reading as it came at a mere 0.1 percent increase down from a 0.5 percent increase seen in the month before, and below forecasts of a 0.2 percent increase.

Sagging economy

The eurozone economy now faces a much more "prolonged sag" than was expected just a few months ago according ECB president Mario Draghi. The PMI (purchasing managers' index) fell to a six-year low of 50.4 in September, down from 51.9 in August and lower than expectations. The figure offers a closer look into private sector activity, and suggests the risk of a recession may be greater. The euro fell against the US dollar, while bond yields declined and European stock markets fell following the release of the data. On his final appearance as ECB president, Mario Draghi mentioned that "geopolitical uncertainty" had stopped the bank from achieving its inflation target despite unemployment residing at its lowest level for a decade. Earlier this month we saw the ECB cite slowing economic growth and inflation to justify its decision to cut interest rates further into negative territory as well as restart its bond-buying program.

The US-China trade war has had a major effect on the Eurozone's slowdown, most notably in Germany. The car industry in Germany has suffered a 12 percent drop in production and a 14 percent decline in exports. The PMI for German manufacturing fell from 43.5 in August to 41.4 in September, still in contraction and at its lowest level since 2009. In France, private sector economic activity grew more slowly than forecasted as its manufacturing sector took a hit by the drop in exports. The French manufacturing PMI dropped to 50.3, while the services sector fell to a four-month low of 51.6.

Japan's manufacturing

Japanese Manufacturing activity shrank at its quickest pace in seven months in September. The decline came on the back of the effects of a global economic slowdown and rising trade tensions. The figure released on Thursday produced a reading of 48.9 down from 49.3 in the months below, going further into the contracting state. The Japanese services PMI figure also came on Tuesday and declined to 52.8 down from 53.3 in the months before.

Climbing oil inventories

US governmental data revealed a second weekly climb in crude inventories. Domestic crude-oil production rose by 100,000 barrels a day to "revisit the all-time high" of 12.5 million barrels a day. The EIA reported that crude supplies rose for a second week in a row by 2.4 million barrels. Meanwhile, reports of Saudi Aramco's drone attack on Sep 14 also pressured prices. Saudi Arabia has reportedly restored production capacity to 11.3 million barrels a day since, topping August's of 9.9 million barrels a day. Reports on the rebound have been met with some uncertainty given the scale of damage done to the facilities.

Kuwaiti Dinar

USD/KWD opened at 0.30405 yesterday morning.

## Polish banks haunted by Swiss franc mortgages

**WARSAW:** Europe's highest court will rule next week whether a bank in Poland broke the law by selling homeowners a Swiss franc mortgage, potentially unleashing lawsuits which could wipe out Polish banking profits for years to come. It is nearly two decades since 700,000 Poles, attracted by interest rates far lower than those available in their zloty currency, took out mortgages denominated in Swiss francs. Such foreign currency loans now total 124 billion zloty (\$31 billion), almost one third of all Polish mortgages, but many homeowners are having to pay far bigger instalments than they expected due to a sharp rise in the value of the Swiss franc.

Although similar mortgage deals became a problem in other European countries, including Hungary, Romania and Croatia, Poland has been slower to resolve the plight of its borrowers. Anna Wojtowicz-Bartlomiejczuk said she was left with huge debts when the Swiss franc was rising 85 percent from 2.18 zloty to 4.04 zloty, while this year alone it appreciated by 6 percent against the Polish currency.

The most painful year for Poles was 2015, when the franc skyrocketed as the Swiss central bank removed a currency cap. Many borrowers have since turned to the courts, encouraged by a cut in the cost of taking action, in what has become the worst crisis to hit Poland's banks since the end of communism.

And the European Court of Justice (ECJ) is now due to rule on Oct. 3 whether it was legal for Raiffeisen Bank to grant foreign currency-denominated mortgages, as Polish banks face increasing pressure to compensate thousands of borrowers. The ECJ was asked by a Polish judge whether such contracts broke European law. The number of new cases in Polish courts in the first six months of 2019 rise by 39 percent to 2,021, justice ministry data shows.

"The (ECJ) judgment will cause an avalanche of lawsuits," Janusz Szewczak, a lawmaker for Poland's ruling nationalist Law and Justice (PiS) party, said.

The ZBP banking lobby estimates that the total cost could hit 60 billion zloty (\$15 billion) if all those with such a loan were to succeed in court, four times more than the 2018 net profit of Poland's banks.

Legal actions against the banks claim their contracts abused the rights of borrowers, with one estimate of more than 11,000 pending cases in Polish courts. DM BOS brokerage analyst Michal Sobolewski said the ECJ ruling could determine that some of the Polish mortgages should be unwound and treated as if they were originally made in zloty. "This is the biggest challenge for the banking sector at the moment," chief economist at ING Bank Slaski Rafal Benecki said, predicting it could wipe out profits and require some banks to seek fresh capital. The banks with the biggest foreign exchange-denominated mortgage portfolios include units of Santander, BCP and Commerzbank, as well as Poland's biggest lender PKO BP and Getin Noble Bank. — Reuters

EXCHANGE RATES

AL-MUZAINI EXCHANGE CO.

EUROPEAN & AMERICAN COUNTRIES

US Dollar Transfer	304.750
Euro	337.210
Sterling Pound	379.110
Canadian dollar	232.280
Turkish lira	55.210
Swiss Franc	311.290
US Dollar Buying	297.400

ASIAN COUNTRIES

Japanese Yen	2.824
Indian Rupees	4.317
Pakistani Rupees	1.962
Sri Lankan Rupees	1.670
Nepali Rupees	2.683
Singapore Dollar	222.450
Hongkong Dollar	38.879
Bangladesh Taka	3.595
Philippine Peso	5.875
Thai Baht	9.987
Malaysian ringgit	77.941

GCC COUNTRIES

Saudi Riyal	81.321
Qatar Riyal	83.757
Omani Riyal	792.073
Bahraini Dinar	809.750
UAE Dirham	83.027

ARAB COUNTRIES

Egyptian Pound - Cash	21.500
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Egyptian Pound - Transfer

Yemen Riyal/for 1000	18.691
Tunisian Dinar	1.224
Jordanian Dinar	110.820
Lebanese Lira/for 1000	430.290
Syrian Lira	0.203
Morocco Dirham	0.000
	32.351

DOLLARCO EXCHANGE CO. LTD

Rate for Transfr

Selling Rate

US Dollar	304.190
Canadian Dollar	230.813
Sterling Pound	373.865
Euro	337.075
Swiss Frank	301.815
Bahrain Dinar	808.955
UAE Dirhams	83.220
Qatari Riyals	84.460
Saudi Riyals	82.015
Jordanian Dinar	430.328
Egyptian Pound	18.398
Sri Lankan Rupees	1.683
Indian Rupees	4.233
Pakistani Rupees	1.944
Bangladesh Taka	3.602
Philippines Peso	5.861
Cyprus pound	18.097
Japanese Yen	3.850
Syrian Pound	1.590
Nepalese Rupees	2.648
Malaysian Ringgit	73.505
Chinese Yuan Renminbi	43.110

Thai Bhat

Turkish Lira	10.935
Singapore dollars	54.175
	218.554

BAHRAIN EXCHANGE COMPANY WLL

CURRENCY BUY SELL

British Pound	Europe	0.368122	0.382022
Czech Korune	0.004905	0.014205	
Danish Krone	0.040654	0.045654	
Euro	0.326555	0.340255	
Georgian Lari	0.121680	0.121680	
Hungarian	0.001149	0.001339	
Norwegian Krone	0.029570	0.034770	
Romanian Leu	0.065366	0.082216	
Russian ruble	0.004586	0.004585	
Slovakia	0.009123	0.019123	
Swedish Krona	0.027202	0.032202	
Swiss Franc	0.301583	0.312583	
Australian Dollar	Australasia	0.198400	0.210400
New Zealand Dollar	0.185524	0.195024	
Canadian Dollar	America	0.225019	0.234019
US Dollars	0.300800	0.306100	
US Dollars Mint	0.301300	0.306100	
Bangladesh Taka	Asia	0.002937	0.003738

Chinese Yuan

Hong Kong Dollar	0.041345	0.044845
Indian Rupee	0.037000	0.039750
Indonesian Rupiah	0.003651	0.004423
Japanese Yen	0.000017	0.000023
Korean Won	0.002746	0.002926
Malaysian Ringgit	0.000244	0.000259
Nepalese Rupee	0.069213	0.075213
Pakistan Rupee	0.002652	0.002992
Philippine Peso	0.001343	0.002113
Singapore Dollar	0.005732	0.006032
Sri Lankan Rupee	0.215547	0.225547
Taiwan	0.001322	0.001902
Thai Baht	0.009713	0.009893
Vietnamese Dong	0.009623	0.010173
	0.000013	0.000013

Arab

Bahraini Dinar	0.802600	0.810662
Egyptian Pound	0.018669	0.022029
Iranian Riyal	0.000084	0.000086
Iraqi Dinar	0.000215	0.000275
Jordanian Dinar	0.425139	0.434139
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000157	0.000267
Moroccan Dirhams	0.021613	0.045613
Omani Riyal	0.786817	0.794721
Qatar Riyal	0.083092	0.083926
Saudi Riyal	0.080220	0.081520
Syrian Pound	0.001293	0.001513
Tunisian Dinar	0.102302	0.110302
Turkish Lira	0.046841	0.056686
UAE Dirhams	0.082380	0.083208
Yemeni Riyal	0.000991	0.001071