

News Update – 13 November 2019

Kuwait's NBK Hires Banks to Issue USD AT1 Perpetual Securities – The National Bank of Kuwait ("NBK") has decided to issue USD perpetual securities under Additional Tier 1 Capital through its special purpose vehicle NBK Tier 1 Financing (2) Limited. NBK Tier 1 Financing (2) Limited is a special-purpose vehicle established for the sole purpose of (1) issuing the AT1 securities; and (2) using the proceeds to finance a subordinated loan to NBK. The guarantee provided by NBK constitutes direct, unconditional, subordinated obligations of NBK. Moody's Investors Service ("Moody's") has today assigned a Baa3 (hyb) rating to the upcoming issuance of the perpetual non-cumulative Additional Tier 1 (AT1) capital securities by NBK Tier 1 Financing (2) Limited, a wholly-owned subsidiary of National Bank of Kuwait S.A.K.P. NBK has hired JPMorgan, Citi, Standard Chartered, NBK Capital as global coordinators.

Fitch Affirms Bahrain at 'BB-'; Outlook Stable – Fitch Ratings has affirmed Bahrain's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a Stable Outlook. Bahrain's ratings are supported by strong financial backing from richer neighbours in the GCC, a large and developed financial sector and high GDP per capita and human development indicators relative even to the 'BBB' median. Weak public finances, high fiscal dependence on oil revenue and political constraints all weigh on the ratings. We forecast that the state budget deficit will narrow in line with target in 2019, but will remain larger than the government target in 2020, at 4.5% of GDP, given uncertainty over the timetable and extent of further subsidy reforms and because we forecast weaker nominal GDP growth than assumed in government targets and declining oil prices.

Islamic Development Bank hires banks for green euro Sukuk – Jeddah-based Islamic Development Bank has appointed banks to arrange investor meetings ahead of a potential issue of euro-denominated "green" sukuk, or Islamic bonds, a document showed on Tuesday. The triple-A rated financial institution has hired Citi, First Abu Dhabi Bank, HSBC, LBBW, Natixis, Societe Generale and Standard Chartered Bank as joint lead managers and bookrunners for the deal. Green bonds are a growing category of fixed-income securities and green sukuk could widen the appeal of Islamic bonds beyond traditional markets in Asia and the Middle East to include ethical investors in Western countries.

Egypt hires banks for triple-tranche dollar bond issue – Egypt has hired banks to arrange a potential issue of U.S. dollar-denominated bonds split into tranches of four, 12 and 40 years, a document showed on Tuesday. BNP Paribas, Citi, JPMorgan, Natixis and Standard Chartered have been mandated as joint bookrunners for the debt sale. The bonds will be of benchmark size, which generally means upwards of \$500 million per tranche.

GCC Sovereign Yields (13 November 2019)

| Sovereigns | Maturity | Yield % | Price Δ (YTD %) | Sovereigns | Maturity | Yield % | Price Δ (YTD %) |
|------------|----------|---------|-----------------|------------|----------|---------|-----------------|
| Abu Dhabi | 2027 | 2.53 | 8.49 | KSA | 2025 | 2.55 | 7.77 |
| Abu Dhabi | 2047 | 3.42 | 16.63 | KSA | 2029 | 3.03 | 10.86 |
| Bahrain | 2024 | 3.65 | 7.88 | KSA | 2049 | 4.05 | 19.69 |
| Bahrain | 2029 | 4.82 | 16.60 | Oman | 2025 | 4.37 | 12.68 |
| Bahrain | 2047 | 6.12 | 21.67 | Oman | 2029 | 5.83 | 0.93 |
| Dubai | 2023 | 2.56 | 3.86 | Oman | 2048 | 7.10 | 15.22 |
| Dubai | 2029 | 3.24 | 8.87 | Qatar | 2024 | 2.25 | 4.30 |
| Kuwait | 2022 | 2.05 | 3.07 | Qatar | 2028 | 2.66 | 8.73 |
| Kuwait | 2027 | 2.41 | 7.23 | Qatar | 2049 | 3.68 | 19.75 |

Source: Bloomberg

Bonds and Sukuk Indices (13 November 2019)

| Index Name | Yield % | Duration (yrs) | 1D Δ (%) | YTD Δ (%) |
|--------------------------------------|---------|----------------|----------|-----------|
| Bloomberg GCC FI Index | 3.34 | 7.31 | -0.02 | 12.47 |
| S&P MENA Bond and Sukuk Index | 3.07 | NA | 0.05 | 11.95 |
| Bloomberg Emerging Markets USD Index | 5.02 | 6.25 | 0.02 | 10.92 |
| Bloomberg Global Aggregate Index | 1.48 | 7.30 | -0.04 | 5.51 |

Interbank Rates (%)

| | 3 Months | | 6 Months | | 12 Months | |
|---------|------------|------------|------------|------------|------------|------------|
| | 13/11/2019 | 31/12/2018 | 13/11/2019 | 31/12/2018 | 13/11/2019 | 31/12/2018 |
| KIBOR | 2.6875 | 1.8750 | 2.9375 | 2.0625 | 3.1250 | 2.3750 |
| SAIBOR | 2.2286 | 1.8988 | 2.2514 | 2.0875 | 2.2929 | 2.2863 |
| BHIBOR | 2.4000 | 2.4500 | 2.8367 | 2.9000 | 2.9500 | 3.2750 |
| QATAR | 2.2750 | 2.7342 | 2.3750 | 2.8868 | 2.6185 | 3.0468 |
| AEIBOR | 2.1341 | 1.8310 | 2.2624 | 2.0513 | 2.2457 | 2.5648 |
| EURIBOR | -0.3940 | -0.3290 | -0.3310 | -0.2710 | -0.2630 | -0.1860 |
| LIBOR | 1.9046 | 1.6858 | 1.9230 | 1.8336 | 1.9941 | 2.1022 |

USD Swap Rates

| | Currencies | | |
|---------|------------|------------|-----------|
| | Yield % | 1D Δ (bps) | YTD Δ (%) |
| 1-Year | 1.780 | 0.0000 | -35.5% |
| 2-Year | 1.703 | 0.0000 | -36.0% |
| 5-Year | 1.702 | -0.0001 | -34.0% |
| 7-Year | 1.746 | -0.0001 | -33.5% |
| 10-Year | 1.831 | -0.0001 | -32.5% |
| 30-Year | 2.007 | -0.0002 | -29.3% |

US Treasuries

| | UK Gilt | | German Bunds | |
|---------|---------|----------|--------------|----------|
| | Yield % | 1D Δ (%) | Yield % | 1D Δ (%) |
| 2-Year | 1.66 | 0.00% | 0.56 | -0.83% |
| 5-Year | 1.73 | 0.06% | 0.56 | -0.03% |
| 10-Year | 1.92 | 0.13% | 0.81 | 0.01% |
| 30-Year | 2.40 | 0.45% | 1.31 | -0.02% |

| | Sovereign Ratings | | |
|----------------|-------------------|------|-----------|
| | Moody's | S&P | Fitch |
| Abu Dhabi | Aa2 | AA | AA |
| Bahrain | B2 | B+ | BB- |
| Kuwait | Aa2 | AA | AA |
| Oman | Ba1 | BB | BB+ |
| Qatar | Aa3 | AA- | AA- |
| KSA | A1 | A- | A |
| UAE | Aa2 | NR | NR |
| Egypt | B2 | B | B+ |
| Lebanon | Caa2 | B- | CCC |
| Turkey | B1 | B+ | BB- |
| Tunisia | B2 | NR | B+ |
| Morocco | Ba1 | BBB- | BBB- |
| Jordan | B1 | B+ | BB- |
| China | A1 | A+ | A+ |
| UK | Aa2 | AA | AA |
| USA | Aaa | AA+ | AAA |
| USD 5-Year CDS | | | YTD Δ (%) |
| Abu Dhabi | 39.790 | | -37.35 |
| Kuwait | 38.900 | | -36.67 |
| Dubai | 122.240 | | -0.33 |
| Bahrain | 201.400 | | -27.41 |
| Qatar | 40.390 | | -48.56 |
| KSA | 63.860 | | -37.54 |
| Egypt | 290.960 | | -21.92 |
| Lebanon | 1543.190 | | 109.64 |
| Turkey | 312.775 | | -12.90 |
| Iraq | 339.170 | | -23.87 |
| Morocco | 81.930 | | -16.91 |
| China | 37.922 | | -42.56 |
| France | 17.540 | | -50.81 |
| Germany | 7.940 | | -34.38 |
| Japan | 21.325 | | -10.02 |
| UK | 28.06 | | -23.32 |
| US | 12.42 | | -31.31 |