

Liquidity Coverage Ratio

Central Bank of Kuwait had adopted at its meeting convened on 23/12/2014 the Liquidity Coverage Ratio ("LCR") for local Islamic banks, to promote resilience of banks liquidity risk management by ensuring that they have sufficient High Quality Liquid Assets (HQLA) to survive a significant stress scenario lasting for one month. At minimum, such stock of liquid assets should enable the bank to survive until 30 days of the stress scenario. Liquidity Coverage Standard (as a percentage) is calculated as follows:

$$\frac{\text{Stock of Islamic Shari'ah Compliant HQLA}}{\text{(Net Cash Outflows over the Next 30 Calendar Days)}}$$

As per CBK instructions banks should maintain LCR with effect from 1st March 2016 to end 2016 at above 70%. The following table sets forth the average (simple) for the quarter ending on 31.12.2016 for all business days of the reporting period. Bank has complied with this ratio on all days of the quarter.

Values in KD 000

S.No	Description	Value Before Applying Flow Rates (average) **	Value After Applying Flow Rates (Average) **
High-Quality Liquid Assets (HQLA)			
1	Total HQLA (before adjustments)		344,308
Cash Outflows			
2	Retail deposits and small business	301,377	51,824
3	* Stable deposits	-	-
4	* Less stable deposits	301,377	51,824
5	Deposit, investment accounts and unsecured wholesale funding excluding the deposits of small business customers:	440,156	280,562
6	* Operational deposits	-	-
7	* Non-operational deposits (other unsecured commitments)	440,156	280,562
8	Secured Funding		-
9	Other cash outflows, including:	242,451	23,323
10	* Resulting from Sharia compliant hedging contracts	-	-
11	* Resulting from assets-backed Sukuk and other structured funding instruments	-	-
12	* Binding credit and liquidity facilities	242,451	23,323
13	Other contingent funding obligations	288,010	14,401
14	Other contractual cash outflows obligations	-	-
15	Total Cash Outflows		370,110
Cash Inflows			
16	Secured lending transactions	-	-
17	Inflows from the performing exposures (as per the counterparties)	160,317	110,724
18	Other cash Inflows	-	-
19	Total Cash Inflows	160,317	110,724
LCR			Total Adjusted Value
20	Total HQLA (after adjustments)		344,308
21	Net Cash Outflows		259,386
22	LCR		132.74%

** Simple Average for all business days of the reporting period.

Based on the simple average of all days of the reporting period the bank's LCR is 132.74% (All currencies). A significant portion representing 93% the total HQLA comprise of Level I assets, mainly supported by CBK deposits, which has been a consistent component over the reporting period. The main constituent of the cash outflows (values after run off) was other legal entity customers (Banks, Financial Institutions) representing a concentration of 47% of the outflows. Consistent HQLA in the form of CBK deposits was the main driver of a strong HQLA during the reporting period.