



### **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:

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

### **Governance of Liquidity Risk Management and Funding**

The banks liquidity management is guided by its Assets Liability Management (ALM) Policy which is reviewed periodically and approved by the Board of Directors. The ALM Policy specifies the main goals, roles and responsibilities and related processes for managing liquidity risk. Specifically, the Policy outlines approaches for identifying, measuring and monitoring of liquidity risk parameters in line with regulatory and internal limits. ALCO and the Board Risk Management Committee (BRMC) oversees the liquidity risk management functions. ALCO reviews periodically the liquidity conditions and recommends in terms of immediate targets of liquidity mix and maturity profiles /mismatches. BRMC periodically reviews the adherence to the internal / regulatory liquidity ratios and limits established.

Liquidity risk is measured primarily using the residual maturity approach and bank manages its gaps within the limits. In addition to prudent liquidity ratios, NSFR and LCR, the bank also monitors periodically multiple deposits and funding concentration limits established to ensure better diversification of funding. The Bank’ s maturity profile and related maturity mismatches are also subjected to stress testing on a periodical basis. Liquidity gaps are monitored on a daily basis and again reviewed on a monthly basis by ALCO. To limit the liquidity risk, funding concentrations are constantly monitored, funding sources diversified and long term funds sourced.

### **Analysis of the results for the quarter ended 30 September 2021**

As per CBK instructions banks should maintain LCR with effect from 1<sup>st</sup> January 2019 onwards at above 100%. In view of the COVID -19 situation revised on 2<sup>nd</sup> April 2020 and extended on 16<sup>th</sup> February 2021 and 22 June 2021 to be maintained at 80%. Bank has complied with revised ratio on all days of the quarter.

The Bank maintained an average LCR (All Currencies) during the quarter at 99.71%. The HQLA comprised primarily “Level 1” assets which represent cash and reserve / excess balances with the Central Bank of Kuwait (CBK). The cash-outflows were primarily driven by unsecured wholesale funding and inter-bank borrowings. The weighted unsecured wholesale funding constituted 70% of the total weighted cash-outflows. The weighted value of Retail deposits (including deposits from small-sized business customers) contributed 17% of the total weighted cash-outflows. Consistent HQLA in the form of CBK deposits was the main driver of a strong HQLA during the reporting period.



The average LCR (All currencies) increased in the current quarter to 99.71% from 98.31% in the previous quarter.

| Value in KD 000                          |  |   |  |
|--|--|---|--|
| S.R No.                                  | Description  | Value Before Applying Flow Rates (average) ** | Value After Applying Flow Rates (Average) ** |
| <b>High-Quality Liquid Assets (HQLA)</b> |  |   |  |
| 1  | Total HQLA (before adjustments)  |   | 296,187                                      |
| <b>Cash Outflows</b>                     |  |   |  |
| 2  | Retail deposits and small business   | 605,662                                       | 99,543                                       |
| 3  | * Stable deposits  | -   | -  |
| 4  | * Less stable deposits   | 605,662                                       | 99,543                                       |
| 5  | Deposit, investment accounts and unsecured wholesale funding excluding the deposits of small business customers: | 662,213                                       | 401,533                                      |
| 6  | * Operational deposits   | -   | -  |
| 7  | * Non-operational deposits (other unsecured commitments)   | 662,213                                       | 401,533                                      |
| 8  | Secured Funding  | -   | -  |
| 9  | Other cash outflows, including:  | 528,696                                       | 58,229                                       |
| 10                                       | * Resulting from Shari'ah compliant hedging contracts  | -   | -  |
| 11                                       | * Resulting from assets-backed Sukuk and other structured funding instruments                                    | -   | -  |
| 12                                       | * Binding credit and liquidity facilities  | 528,696                                       | 58,229                                       |
| 13                                       | Other contingent funding obligations   | 309,511                                       | 15,476                                       |
| 14                                       | Other contractual cash outflows obligations  | -   | -  |
| 15                                       | <b>Total Cash Outflows</b>   |   | <b>574,781</b>                               |
| <b>Cash Inflows</b>                      |  |   |  |
| 16                                       | Secured lending transactions   | -   | -  |
| 17                                       | Inflows from the performing exposures (as per the counterparties)  | 387,929                                       | 277,740                                      |
| 18                                       | Other cash Inflows   | -   | -  |
| 19                                       | <b>Total Cash Inflows</b>  | <b>387,929</b>                                | <b>277,740</b>                               |
| <b>LCR</b>                               |  |   | <b>Total Adjusted Value</b>                  |
| 20                                       | Total HQLA (after adjustments)   |   | 296,187                                      |
| 21                                       | Net Cash Outflows  |   | 297,040                                      |
| 22                                       | LCR  |   | 99.71%                                       |

The following table sets forth the average (simple) for the quarter ending on 30.09.2021 for all business days of the reporting period.