

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 30.09.2016 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)		320,854
Cash Outflows			
2	<u>Retail deposits and small business</u>	291,448	49,902
3	* Stable deposits	-	-
4	* Less stable deposits	291,448	49,902
5	Deposit, investment accounts and unsecured wholesale funding excluding the deposits of small business customers:	527,534	334,549
6	* Operational deposits	-	-
7	* Non-operational deposits (other unsecured commitments)	527,534	334,549
8	Secured Funding		-
9	Other cash outflows, including:	256,427	25,394
10	* Resulting from Sharia compliant hedging contracts	-	-
11	* Resulting from assets-backed Sukuk and other structured funding instruments	-	-
12	* Binding credit and liquidity facilities	256,427	25,394
13	Other contingent funding obligations	288,710	14,435
14	Other contractual cash outflows obligations	-	-
15	Total Cash Outflows		424,280
Cash Inflows			
16	Secured lending transactions	-	-
17	Inflows from the performing exposures (as per the counterparties)	195,146	153,539
18	Other cash Inflows	-	-
19	Total Cash Inflows	195,146	153,539
LCR			Total Adjusted Value
20	Total HQLA (after adjustments)		320,854
21	Net Cash Outflows		270,741
22	LCR		118.51%

** 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 118.51% (All currencies). A significant portion representing 95% 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 49% of the outflows. Consistent HQLA in the form of CBK deposits was the main driver of a strong HQLA during the reporting period.