

Public Disclosure Requirements - Liquidity Coverage Ratio

The qualitative and quantitative public disclosures under this section have been prepared in accordance with the Central Bank of Kuwait (CBK) Rules and Regulations concerning Liquidity Coverage Ratio for Islamic Banks licensed in the State of Kuwait, vide circular reference (2/IBS /346/2014) dated 23/12/2014.

Qualitative disclosure on LCR

The Liquidity Coverage Ratio (LCR) is a global standard for assessing bank liquidity. It aims to ensure that a bank has adequate unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

LCR has been defined as

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Liquid assets comprise of high-quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while Level 2A assets are with a minimum 15% haircut and Level 2B Assets, with a minimum 50% haircut.

The total net cash outflow is the total expected cash outflows minus total expected cash inflows for the upcoming 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows.

The Bank's focus has been to ensure diversified funding sources in addition to its core deposit base. The Treasury of the Bank manages liquidity by constant monitoring of future cash flows and liquidity needs. This incorporates an assessment of expected cash flows and the availability of high-quality assets which could be used to secure additional funding if required. The bank also conducts stress tests to assess impact of stress on liquidity under various scenarios. Furthermore, the bank has established a Contingency Funding Plan to manage liquidity during stressed conditions.

The average HQLA for the quarter ended 31 December 2024 was KD 563 Million of which Central Bank reserves constituted about KD 389 Million. Average cash outflows over a 30-day horizon amounted to KD 973 Million while average inflows from assets were KD 638 Million.

Bank's LCR of 160% (based on average of last three months' position) was above the minimum 100% prescribed by CBK . Management of liquidity is centrally managed through the Treasury within the bank. The Bank has sufficient liquidity sources for outflows and management is of the view that we are adequately liquid as required by LCR regulations. The Asset and Liability Management Committee (ALCO) of the Bank is responsible for oversight of liquidity management and review of positions on monthly basis and/or on need basis based on systemic risks.

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Quantitative information on Liquidity coverage ratio (LCR) is given below:

LCR common disclosure template for the year ending on 31 December 2024

In KD '000s

S.No	Description	Value before applying inflows rates (average)**	Value after applying inflows rates (average)**
High-Quality Liquid Assets (HQLA)			
1	Total HQLA (before adjustments)		563,051
Cash Outflows			
2	Retail deposits and small business	552,004	94,949
3	• Stable deposits	0	0
4	• Less stable deposits	552,004	94,949
5	Unsecured wholesale funding excluding the deposits of small business customers:	1,333,357	772,867
6	• Operational deposits	0	0
7	• Non-operational deposits (other unsecured commitments)	1,333,357	772,867
8	Secured Funding		0
9	Other cash outflows, including:	0	0
10	• Resulting from Shari'ah compliant hedging contracts	0	0
11	• Resulting from assets-backed sukuk and other structured funding instruments	0	0
12	• Binding credit and liquidity facilities	0	0
13	Other contingent funding obligations	2,093,890	104,694
14	Other contractual cash outflows obligations	0	0
15	Total Cash Outflows		972,511
Cash Inflows			
16	Secured lending transactions	0	0
17	Inflows from fully performing exposures (as per the counterparties)	1,142,083	638,328
18	Other cash Inflows	0	0
19	Total Cash Inflows	1,142,083	638,328
Liquidity Coverage Ratio (LCR)			Total Adjusted Value
20	Total HQLA (after adjustments)		543,110
21	Net Cash Outflows		339,987
22	LCR		160%

*Simple Average for all days of the reporting period.

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