



**The Commercial Bank of Kuwait Group**

**Public Disclosures on**

**Net Stable Funding Ratio**

**31 December 2019**



The following qualitative and quantitative public disclosures on Net Stable Funding Ratio (NSFR) are being provided in accordance with Central Bank of Kuwait (CBK) circular no. 2/BS/356/2015 dated 25 October 2015. This disclosure will enable and allow market participants to assess key pieces of information about the stability of the Bank's funding sources and their ability to meet the long term funding needs of the Bank.

The NSFR is a global minimum standard for bank liquidity. It aims to ensure that a bank has an adequate long and medium term funding in order to fund its long and medium term assets. The NSFR is calculated by dividing the amount of Available Stable Funding (ASF) by the amount of Required Stable Funding (RSF). ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of RSF is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures. This ratio should be equal to at least 100% on an ongoing basis.

Different funding sources contribute different percentages to the ASF and similarly different assets need different percentages of stable funding. Essentially funding sources with over one year maturity can be taken in their entirety for ASF and most assets with over one year maturity require 100% funding from ASF.

The Bank's NSFR is at 113.53% on 31 December 2019. The ASF and RSF for the year ended 31 December 2019 amounted to KD 3,175,381 thousand and KD 2,797,071 thousand respectively. The ratio reflects that the Bank has adequate amount of available stable funding relative to the amount of required stable funding. Deposits from government entities, deposits from retail customers and equity were the major contributors to ASF.

The Bank holds a balanced mix of funding from the retail and institutional customers. The required amount of stable funding for loans to non financial corporate clients, retail and small business, sovereign and public sector entities is 62% of the total required stable funding, whereas exposure to financial institutions is 10% of the required stable funding. The NSFR range was between 104.52% and 115.54% during the twelve months year ended 31 December 2019 which reflects that the Bank is maintaining a fairly stable NSFR. The ratio is being monitored by the Risk Management Division of the Bank and is reported to the Senior Management and Board on periodic basis.

A strong and diversified liabilities profile has been at the helm on Bank's growth strategy. The Bank has consistently maintained a robust funding profile with a significant portion of funding coming through deposits. The stability of these deposit sources has been comfortable and the Bank expects the same going forward given the liquidity profile of the Bank.

The Bank has a liquidity risk management policy in place approved by the Board of Directors. The Bank has an internal governance system wherein Asset Liability Committee (ALCO) oversees the liquidity management function. Roles of different divisions with respect to liquidity risk management are clearly specified in the Bank's liquidity risk management policy. The Bank also has an internal limit for NSFR that is more conservative than the regulatory limit.



**Table 4: NSFR Common Disclosure Template**  
**For the year ended 31 December 2019**



Sr	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
		KD 000's				
<b>Available Stable Funding (ASF):</b>						
<b>1</b>	<b>Capital:</b>					
2	• <i>Regulatory Capital</i>	796,208	-	-	-	796,208
3	• <i>Other Capital Instruments</i>	-	-	-	-	-
<b>4</b>	<b>Retail deposits and deposits from small business customers:</b>					
5	• <i>Stable deposits</i>	-	-	-	-	-
6	• <i>Less stable deposits</i>	-	1,039,898	36,651	5,267	974,162
<b>7</b>	<b>Wholesale funding:</b>					
8	• <i>Operational deposits</i>	-	-	-	-	-
9	• <i>Other wholesale funding</i>	-	2,046,053	595,880	216,567	1,308,823
<b>10</b>	<b>Other liabilities:</b>					
11	• <i>NSFR derivative liabilities</i>		1,627	-	-	
12	• <i>All other liabilities not included in the above categories</i>	85,709	78,656	10,022	96,189	96,189
13	Total ASF					3,175,381
<b>Required Stable Funding (RSF):</b>						
<b>14</b>	<b>Total NSFR high-quality liquid assets (HQLA)</b>					<b>20,815</b>
<b>15</b>	<b>Deposits held at other financial institutions for operational purposes</b>					
		-	-	-	-	-
<b>16</b>	<b>Performing loans and securities:</b>					
17	• <i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
18	• <i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	1,435,883	73,381	156,510	408,583
19	• <i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>	-	737,570	414,532	1,139,187	1,715,237

Sr	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
		KD 000's				
20	- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio – Basel 3 guidelines	-	-	-	-	-
21	• Performing residential mortgages, of which:	-	-	-	-	-
22	- With a risk weight of less than or equal to 35% under the CBK Capital Adequacy Ratio – Basel III Guidelines	-	-	-	-	-
23	• Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	246,626	209,632
<b>24</b>	<b>Other assets:</b>					
25	• Physical traded commodities, including gold	-				-
26	• Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
27	• NSFR derivative assets		738	-	-	-
28	• 20 % of NSFR derivative liabilities before deduction of variation margin posted		325	-	-	-
29	• All other assets not included in the above categories	-	29,111	18,437	191,966	215,739
<b>30</b>	<b>Off-balance sheet items</b>		<b>1,405,327</b>	<b>505,272</b>	<b>672,493</b>	<b>129,155</b>
31	Total RSF					2,797,071
32	NSFR (%)					113.53%

