



**The Commercial Bank of Kuwait Group**  
**Public Disclosures on**  
**Liquidity Coverage Ratio**  
**31 December 2015**

The following qualitative and quantitative public disclosures on Liquidity Coverage Ratio (LCR) are being provided in accordance with Central Bank of Kuwait (CBK) circular no. 2/BS /345/2014 dated December 23, 2014. This disclosure will enable and allow market participants to assess key pieces of information about the short-term resilience of the Bank's liquidity risk profile, and stock of high quality liquid assets to meet its liquidity needs for a 30 days liquidity stress scenario.

The LCR is a global minimum standard for bank liquidity. It aims to ensure that a bank has an adequate stock of 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.

The LCR is calculated by dividing the amount of unencumbered HQLA by the estimated net outflows over a stressed 30 calendar day period. The net cash outflows are calculated by applying CBK prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows (after application of inflow factors) from assets maturing within 30 days.

The Bank's average LCR is at 167% and 165% for the quarter and year ended 31 December 2015 respectively. The average HQLA amounted to KD 375,415 thousand and KD 393,187 thousand for the quarter and year ended 31 December 2015 respectively. The average cash inflows amounted to KD 953,213 thousand and KD 1,074,336 thousand for the quarter and year ended 31 December 2015 respectively. The average cash outflows amounted to KD 896,928 thousand and KD 954,710 thousand for the quarter and year ended 31 December 2015 respectively.

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 bank periodically identifies significant counterparties and products as those that exceed 1% of the liabilities and does an internal scoring based on various factors that impact the liquidity of these funding sources in a scale of 1 to 4 with 1 indicating very low sensitive funding source and 4 indicating very high sensitive funding source. The bank has internal limits for overall significant counterparties and products and also for high sensitive and very high sensitive funding sources separately. The bank also has internal limits for liquidity gaps and other liquidity based limits that are more conservative than the regulatory limits.

The liquidity exposures of the bank have been comfortable and the bank expects the same going forward given the liquidity profile of the bank. The bank does not foresee any legal or regulatory constraints that may limit the bank's ability to dispose of liquidity.

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 has specific internal limits in place to ensure that the funding sources of the banks are diversified. These includes limits on deposits taken from government sources, deposits taken from significant counterparties, deposits taken from high risk and very high risk significant counterparties, deposits sourced through significant products / instruments, deposits sourced through high risk and very high risk significant products/instruments etc.

The bank has sufficient funding lines with various counterparties which are periodically reviewed. The bank also ensures that it maintains sufficient capital by computing internal capital on liquidity risk.



The bank conducts liquidity stress tests on a half yearly basis and the results are extensively discussed in the ALCO. The liquidity stress tests ensures that the bank has sufficient funding sources to be able to counter its short term cash outflows under mild, moderate and severe scenarios and the cost involved in the same. The liquidity stress test results are used in the enterprise wide stress test for assessing the stressed Capital Adequacy Ratio.

The bank has a liquidity contingency plan approved by the Board of Directors. A significant feature of the same is an internally developed Early Warnings Indicator of a liquidity crisis that consider all possible factors leading to a liquidity crisis, which is monitored on a weekly basis.



LCR disclosure form during the quarter ended 31 December 2015 (\*)

Sr	Item	Value before implementing the Flow Rate (average) (**) KD 000's	Value after implementing the Flow Rate (1) (average) (**) KD 000's
<b>High Quality Liquid Assets (HQLA):</b>			
1	<b>Total HQLA (before adjustments)</b>		375,415
<b>Cash Outflows:</b>			
2	<u>Retail Deposits and Small Businesses</u>	1,035,695	135,515
3	* Stable Deposits	46,932	2,347
4	* Less Stable Deposits	988,763	133,168
5	<u>Unsecured wholesale deposits and funding with the exception of the small business customer deposits</u>	857,949	478,127
6	* Operational Deposits	0	0
7	* Non-Operational Deposits (Other unsecured liabilities)	857,949	478,127
8	<u>Secured Funding</u>		0
9	<u>Other Cash Outflows including:</u>	313,089	201,166
10	* Resulted from Derivatives	176,159	176,159
11	* Resulted from securities and commercial papers backed by assets (assuming inability to re-finance)	0	0
12	* Credit lines and committed liquidity	136,930	25,007
13	Other future contingent funding liabilities	1,612,984	80,649
14	Other contractual cash outflows	1,470	1,470
15	<b>Total Cash Outflows</b>		<b>896,928</b>
<b>Cash Inflows:</b>			
16	Secured Lending Transactions	0	0
17	Cash Inflows resulted from performing loans	942,849	777,423
18	Other cash inflows	175,790	175,790
19	<b>Total Cash inflows</b>	<b>1,118,639</b>	<b>953,213</b>
<b>LCR</b>			<b>Value after Amendments (2)</b>
20	Total of HQLA (after adjustments)		375,415
21	Net Cash Outflows		224,232
22	LCR %		167%

\* Quarterly Statement.

\*\* Simple Average for all days during the quarter ended 31 December 2015.

1 Is the value after applying the HQLA haircuts and Cash Outflows and Inflows.

2 Is the value after applying the HQLA haircuts and Cash Inflows and Outflows, and calculation of the maximum limits of Level 2 Assets and cash inflows.





LCR disclosure form during the year ended 31 December 2015 (\*)

Sr	Item	Value before implementing the Flow Rate (average) (**) KD 000's	Value after implementing the Flow Rate (1) (average) (**) KD 000's
High Quality Liquid Assets (HQLA):			
1	<b>Total HQLA (before adjustments)</b>		393,187
<b>Cash Outflows:</b>			
2	<u>Retail Deposits and Small Businesses</u>	1,060,600	138,195
3	* Stable Deposits	48,364	2,418
4	* Less Stable Deposits	1,012,236	135,777
5	<u>Unsecured wholesale deposits and funding with the exception of the small business customer deposits</u>	863,983	497,169
6	* Operational Deposits	0	0
7	* Non-Operational Deposits (Other unsecured liabilities)	863,983	497,169
8	<u>Secured Funding</u>		0
9	<u>Other Cash Outflows including:</u>	365,458	241,639
10	* Resulted from Derivatives	215,572	215,572
11	* Resulted from securities and commercial papers backed by assets (assuming inability to re-finance)	0	0
12	* Credit lines and committed liquidity	149,885	26,066
13	Other future contingent funding liabilities	1,519,193	75,960
14	Other contractual cash outflows	1,748	1,748
15	<b>Total Cash Outflows</b>		954,710
<b>Cash Inflows:</b>			
16	Secured Lending Transactions	0	0
17	Cash Inflows resulted from performing loans	1,031,353	864,884
18	Other cash inflows	209,453	209,453
19	<b>Total Cash inflows</b>	1,240,806	1,074,336
<b>LCR</b>			<b>Value after Amendments (2)</b>
20	Total of HQLA (after adjustments)		393,187
21	Net Cash Outflows		238,677
22	<b>LCR</b>		<b>165%</b>

\* Yearly Statement.

\*\* Simple Average for all days during the year ended 31 December 2015.

1 Is the value after applying the HQLA haircuts and Cash Outflows and Inflows.

2 Is the value after applying the HQLA haircuts and Cash Inflows and Outflows, and calculation of the maximum limits of Level 2 Assets and cash inflows.

