The Commercial Bank of Kuwait Group

Public Disclosures on

Liquidity Coverage Ratio

31 December 2020

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 168% and 166% for the quarter and year ended 31 December 2020. The average HQLA amounted to KD 419,496 thousand and KD 433,673 thousand for the quarter and year ended 31 December 2020 respectively. The average cash inflows (capped at 75% cash outflow) amounted to KD 749,945 thousand and KD 783,753 thousand for the quarter and year ended 31 December 2020 respectively. The average cash outflows amounted to KD 999,926 thousand and KD 1,045,004 thousand for the quarter and year ended 31 December 2020 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 liquidity of the Bank has 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 meet its liabilities.

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 Bank are diversified. These include limits on 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 highly sensitive and very highly sensitive significant products/instruments etc. 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 also has internal limits for liquidity gaps and other liquidity based limits (like LCR & NSFR) that are more conservative than the regulatory limits.

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 for 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 ensure that the Bank has sufficient funding sources to be able to counter its short term cash outflows under mild, moderate and severe stress scenarios and also assess the cost involved in the same.

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 considers all possible factors (both external and internal factors) that lead to a liquidity crisis, which is monitored on a weekly basis.

Table (6): LCR disclosure form during the quarter ended 31 December 2020 (*)

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	**Total HQLA (before adjustments)**		419,496
Cash Outflows:			
2	Retail Deposits and Small Businesses	1,144,973	154,295
3	* Stable Deposits	0	0
4	* Less Stable Deposits	1,144,973	154,295
5	Unsecured_wholesale_deposits_and_funding_with_the_exception_ of_the_small_business_customer_deposits	911,013	495,234
6	* Operational Deposits	0	0
7	* Non-Operational Deposits (Other unsecured liabilities)	911,013	495,234
8	Secured Funding		0
9	Other Cash Outflows including:	344,960	224,423
10	* Resulted from Derivatives	195,238	195,238
11	* Resulted from securities and commercial papers backed by assets (assuming inability to re-finance)	0	0
12	* Credit lines and committed liquidity	149,722	29,186
13	Other future contingent funding liabilities	2,470,397	123,520
14	Other contractual cash outflows	2,454	2,454
15	Total Cash Outflows		999,926
Cash Inflows:			
16	Secured Lending Transactions	0	0
17	Cash Inflows resulted from performing loans	1,139,624	956,723
18	Other cash inflows	198,234	198,234
19	**Total Cash inflows**	1,337,857	1,154,956
	LCR		**Value after Amendments** (2)
20	Total of HQLA (after adjustments)		419,496
21	Net Cash Outflows		249,982
22	LCR %		168%

* Quarterly Statement.

** Simple Average for all days during the quarter ended 31 December 2020.

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.

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Table (6): LCR disclosure form during the year ended 31 December 2020 (*)

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	**Total HQLA (before adjustments)**		433,673
Cash Outflows:			
2	Retail Deposits and Small Businesses	1,115,707	152,345
3	* Stable Deposits	0	0
4	* Less Stable Deposits	1,115,707	152,345
5	Unsecured_wholesale_deposits_and_funding_with_the_exception_of_the_small_business_customer_deposits	935,110	526,756
6	* Operational Deposits	0	0
7	* Non-Operational Deposits (Other unsecured liabilities)	935,110	526,756
8	Secured Funding		0
9	Other Cash Outflows including:	394,325	239,713
10	* Resulted from Derivatives	206,858	206,858
11	* Resulted from securities and commercial papers backed by assets (assuming inability to re-finance)	0	0
12	* Credit lines and committed liquidity	187,467	32,855
13	Other future contingent funding liabilities	2,409,172	120,459
14	Other contractual cash outflows	5,732	5,732
15	Total Cash Outflows		1,045,004
Cash Inflows:			
16	Secured Lending Transactions	0	0
17	Cash Inflows resulted from performing loans	1,035,499	891,175
18	Other cash inflows	207,708	207,708
19	**Total Cash inflows**	1,243,207	1,098,883
	LCR		**Value after Amendments** (2)
20	Total of HQLA (after adjustments)		433,673
21	Net Cash Outflows		261,251
22	LCR %		166%

* Quarterly Statement.

** Simple Average for all days during the year ended 31 December 2020.

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.