بنك الخليج
GULF BANK

Liquidity Coverage Ratio (LCR) Disclosure – 30 September 2024

Introduction

The public disclosure relating to Liquidity Coverage Ratio (LCR) has been prepared in accordance with the circular (2/RB/345/2014) dated 23 December 2014 issued by Central Bank of Kuwait (CBK) as part of Basel III reforms.

This standard aims at promoting short-term resilience of the banks' liquidity risk profile and ensures that they have an adequate stock of high-quality liquid assets to survive a significant stress scenario lasting for a period of 30 days.

Definition

The LCR is defined as the ratio of High-Quality Liquid Assets (HQLA) to the total Net Cash Outflows estimated for the next 30 calendar days.

HQLA are classified into two categories, Level 1 and Level 2 assets with a cap of 40% on the Level 2 assets to the total HQLA. Level 2 assets are calculated after applying the hair cut prescribed by CBK and a cap of 15% on the Level 2B assets to the total HQLA. The total net cash outflow is the difference between total expected cash outflows and expected cash inflows after applying the runoff factors assigned by CBK (minimum of total expected cash inflows and 75% of total expected cash outflows).

Regulatory Scope of Reporting

Banks are required to comply with the minimum percentages on a daily and ongoing basis on the total bank wide position. LCR report is prepared on total Bank wide position as well as individually for KWD and for any significant currency, which is 5% or more of the bank's total liabilities. This is prepared as at the last day of the month and a cumulative report depicting the LCR ratio for all working days of the month.

Liquidity Governance

The liquidity governance framework is guided by the Liquidity Policy of the Bank which is reviewed and approved by the Board of Directors. The policy outlines the roles and responsibilities within the Bank with respect to liquidity risk management and provides an overview of the processes including stress testing under various scenarios, for monitoring and managing liquidity risk as per CBK and internal guidelines.

The responsibility for managing liquidity in compliance with internal & external directives rests with Treasury under the oversight of Asset and Liability Committee (ALCO). The liquidity policy also covers the liquidity contingency/crisis planning which specifies the early warning indicators, the roles and responsibilities within the Bank in the event of a liquidity crisis and the actions to be undertaken by each business unit in order to address the crisis.

Funding Strategy

Gulf Bank has a strong and diversified funding profile and the Bank's strategy is to widen its Retail, wholesale, and international customer base. Treasury, Retail Banking Group and Corporate Banking Group work in close coordination to achieve the Bank's strategic funding objectives.

The Business Units within the Bank collaborate with each other to enhance the liquidity management process by optimizing the balance sheet along business lines, while maintaining global and local standards of efficient liquidity risk management.

Result Analysis

The Bank's HQLA during the three months ending 30 September 2024 was averaging at KD 896 million after haircut, against an average net outflow of KD 301 million, resulting in an average LCR of 297.66%.

The HQLA mainly comprised of Level 1 assets, which consist of cash, balances with CBK and Sovereign debt securities and Level 2 assets of Sovereign debt securities and equities applicable as per the regulation. Cash outflows from unsecured wholesale funding constituted 57.31% of the total cash outflows, while outflows from Retail and Small Business Customers constituted 18.24% of the total cash outflows. Cash flows related to Derivatives comprised of foreign exchange contracts.

The following LCR disclosure form is an average of all working days during the third quarter 2024 for which the reports are prepared.

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Table (6): LCR Disclosure Form during the period ending 30/September/2024

Sr	Item	Value before implementing the Flow Rate (average)	Value after implementing the Flow Rate (average)
	High Quality Liquid Assets		
1	Total HQLA (before amendment)	895,957	**895,957**
Cash Outflows			
2	**Retail Deposits and Small Business Customers**	**1,390,976**	**219,617**
3	*Stable deposits*	-	-
4	*Less Stable Deposits*	1,390,976	219,617
5	**Unsecured wholesale Funding excluding small business customers**	**1,321,243**	**690,048**
6	Operational deposits	32,895	8,224
7	Non-Operational deposits (Other unsecured funding)	1,288,348	681,824
8	Secured funding	-	-
9	Other cash outflows including:	**230,285**	**141,759**
10	Outflow resulting from Derivative	131,923	131,923
11	Outflows resulting from asset-backed securities and commercial papers (assuming no re-finance)	-	-
12	Committed Credit and Liquidity facilities	98,362	9,836
13	Other potential future funding commitments	-	-
14	Other contractual outflows	3,051,736	152,587
15	**Total Cash Outflows**		**1,204,011**
Cash Inflows			
16	Secured Lending Transactions	-	-
17	Inflows resulting from performing loans	1,111,776	928,791
18	Other cash inflows	131,058	131,058
19	**Total Cash Inflows**	**1,242,834**	**1,059,849**
	LCR		**Value after Amendments**
20	**Total HQLA (After Amendment)**		**895,957**
21	**Net Cash Outflows**		**301,003**
22	**LCR**		**297.66%**