



Net Stable Funding Ratio (NSFR) Disclosure – 31 December 2023

Introduction

The public disclosure relating to Net Stable Funding Ratio (NSFR) has been prepared in accordance with the circular (2BS/356/2015) dated 25 October 2015 issued by Central Bank of Kuwait (CBK) as part of Basel III reforms and complementary to the existing liquidity guidelines.

The main objective of NSFR is to promote stable and long-term funding sources for asset financing and reduce reliance on less stable, short-term sources of funding.

As per CBK circular No. 2/BS/IBS/488/2021 issued on 11 October 2021, the minimum regulatory NSFR limit has been reinstated to the pre-covid level of 100% from 1 January 2023 onwards.

Definition

The NSFR is defined as the ratio of *Available amount of Stable Funding (ASF)* to *Required amount of Stable Funding (RSF)*.

Available Stable Funding (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends over one year.

Required Stable Funding (RSF) is defined as the portion of assets and off-balance sheet (OBS) exposures expected to be funded on an ongoing basis over a one-year horizon. The amount of such stable funding required by the bank 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 exposures.

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 of liquidity stress, the roles and responsibilities of stake holders 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's strategy is to maintain stable and well-diversified sources of funds, with a focus on raising stable and long-term deposits from consumer banking clients, while continuing to grow and diversify the wider depositor base in order to meet its long-term assets funding requirements, thus maintaining a healthy ratio.

Besides having well established relationships with a variety of domestic, regional and international counterparties that regularly provide long-term funding, the Bank has also been able to obtain long-term funding from the debt market through the issuance of 10-year KWD 50 million Tier 2 Subordinated Bonds in June 2021 as well through Medium-Term borrowings from Banks. This confirms the Bank's ability to obtain longer-term funding if and when required. Furthermore, the Bank has successfully raised its Issued and Paid-up Capital through a public offering with rights issue of KD 60 million in November 2023.

The Asset and Liability Committee regularly reviews the macroeconomic indicators and market conditions to provide guidance on liquidity management.

Result Analysis and Main Drivers

The Bank's Available Stable Funding (ASF) as of 31 December 2023 was KD 4,926 million and Required Stable Funding (RSF) as KD 4,522 million with NSFR of 108.92%.

ASF is mainly comprised of Capital as per Basel III CBK regulations, Retail and SME deposits, Corporate deposits, deposits from Banks and OFIs and other liabilities after applying the available stable funding factors. Retail deposits (including SME deposits), Corporate deposits and Capital contributed 37.65%, 37.18% and 19.11% respectively of the total weighted ASF amount.

RSF is primarily comprised of Corporate, Retail and SME loans, Investments, and off-balance sheet items after applying the required stable funding factors. Performing loans to non-financial customers and financial institutions contributed 75.20% and 15.98% respectively of the total weighted RSF amount.

Net Stable Funding Ratio for Conventional Banks						
Table 4: NSFR Common Disclosure Template For tRe Period ending on 31/12/2023						
Bank Name		Gulf Bank				
Level:		UnweigRted Values (before applying NSFR factors)				
Sr.	Item	No specified maturity	Less than 6 montRs	More than 6 montRs and less tRan one year	One year or more	Value after applying tRe NSFR factors
Available Stable Funding (ASF)						
1	Capital:	941,142	-	-	-	941,142
2	Regulatory Capital	941,142	-	-	-	941,142
3	OtRer Capital Instruments	-	-	-	-	-
4	Retail Deposits and deposits from small business customers:	-	1,902,128	147,530	9,644	1,854,336
5	Stable deposits	-	-	-	-	-
6	Less Stable deposits	-	1,902,128	147,530	9,644	1,854,336
7	Wholesale Funding:	-	3,133,521	545,444	405,991	1,831,537
8	Operational Deposits	-	36,698	-	-	18,349
9	Other wholesale funding	-	3,096,823	545,444	405,991	1,813,187
10	Other liabilities:	-	54,197	8,952	298,588	298,588
11	NSFR Derivative Liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	54,197	8,952	298,588	298,588
13	Total ASF	941,142	5,089,846	701,926	714,223	4,925,603
Required Stable Funding (RSF)						
14	Total NSFR high-quality liquid assets (HQLA)	865,014	-	-	-	25,200
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	990,556	91,528	528,338	722,685
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	1,037,793	521,375	3,153,907	3,400,726
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio – Basel 3 guidelines	-	-	-	298,396	193,957
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	Unpledged Securities and exchange-traded shares in case the issuers of such instruments were not in default.	-	-	-	3,023	2,570
24	Other assets:					
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	2	-	-	-	2
28	20% NSFR derivative liabilities before deduction of variation margin posted	5	-	-	-	5
29	Other assets not included in the above categories	32,426	32,174	9,564	170,886	224,181
30	Off-balance sheet items	-	2,779,964	-	154,978	146,747
31	Total RSF	897,447	4,840,487	622,467	4,011,132	4,522,116
32	NSFR (%)					108.92%