



## **Net Stable Funding Ratio (NSFR) Disclosure – 30 September 2022**

### **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.

In accordance with the CBK circular No.2/BS/IBS/454/2020 issued on 2 April 2020 and circular No. 2/BS/IBS/484/2021 issued on 22 June 2021, the minimum regulatory NSFR limit was amended from 100% to 80%. Further as per CBK circular No. 2/BS/IBS/488/2021 issued on 11 October 2021, the minimum regulatory NSFR limit has been increased in a phased manner from 80% to 90% from 1 January 2022 onwards and from 90% to 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 to 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, 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's strategy is to maintain stable and well-diversified sources of funds, with a focus on further raising 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.

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 30 September 2022 was KD 4.7 billion and Required Stable Funding (RSF) as KD 4.5 billion with NSFR of 103.80%.

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 41.66%, 34.63% and 17.19% 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 78.81% and 11.36% of the total weighted RSF amount.

Net Stable Funding Ratio for Conventional Banks						
Table 4: NSFR Common Disclosure Template For tRe Period ending on 30/09/2022						
Bank Name		Gulf Bank				
Level:		UnweigRted Values (before applying NSFR factors)				Value after applying tRe NSFR factors
Sr.	Item	No specified maturity	Less than 6 montRs	More than 6 montRs and less tRan one year	One year or more	
<b>Available Stable Funding (ASF)</b>						
1	Capital:	805,293	-	-	-	805,293
2	Regulatory Capital	805,293	-	-	-	805,293
3	OtRer Capital Instrumts	-	-	-	-	-
4	<b>Retail Deposits and deposits from small business customers:</b>	-	2,007,085	157,501	2,962	1,951,089
5	Stable deposits	-	-	-	-	-
6	Less Stable deposits	-	2,007,085	157,501	2,962	1,951,089
7	<b>Wholesale Funding:</b>	-	3,261,955	457,305	278,006	1,621,808
8	Operational Deposits	-	46,639	-	-	23,320
9	Other wholesale funding	-	3,215,316	457,305	278,006	1,598,487
10	<b>Other liabilities:</b>	305	25,000	3,700	305,611	305,611
11	NSFR Derivative Liabilities	305	-	-	-	-
12	All other liabilities not included in the above categories	-	25,000	3,700	305,611	305,611
13	<b>Total ASF</b>	<b>805,598</b>	<b>5,294,040</b>	<b>618,506</b>	<b>586,579</b>	<b>4,683,801</b>
<b>Required Stable Funding (RSF)</b>						
14	Total NSFR high-quality liquid assets (HQLA)	843,833	-	-	-	22,221
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	<b>Performing loans and securities:</b>					
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	-	753,933	76,351	361,500	512,765
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	1,166,524	635,184	3,174,982	3,556,294
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio – Basel 3 guidelines	-	-	-	216,472	140,707
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.	-	-	-	29,568	25,133
24	<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	-	-	-	-	-
28	20% NSFR derivative liabilities before deduction of variation margin posted	169	-	-	-	169
29	Other assets not included in the above categories	33,638	24,376	16,193	202,401	256,323
30	Off-balance sheet items	-	2,771,500	-	20,940	139,622
31	<b>Total RSF</b>	<b>877,640</b>	<b>4,716,333</b>	<b>727,729</b>	<b>3,789,391</b>	<b>4,512,528</b>
32	<b>NSFR (%)</b>					<b>103.80%</b>