National Bank of Kuwait Group





Introduction

In October 2015, the Board of Directors of Central Bank of Kuwait (CBK) approved the guidelines on the implementation of the Net Stable Funding Ratio (NSFR) to be applied to banks operating in Kuwait. The guidelines were part of the CBK's implementation of Basel III reforms.

The main objective of the NSFR is to promote the resilience of the banking system by improving the funding profile of banks by ensuring they have sufficient level of stable funding in relation to their assets and commitments. The NSFR thus promotes banks to rely on funding from stable sources and long-term borrowing in order to reduce the risks of disruptions which might impact the bank's liquidity position.

The Available Stable Funding (ASF) figure is measured according to the relative stability of funding, based on their duration and behavioural characteristics of funding sources. For instance, capital and deposits from retail household sources are considered more stable than wholesale funding. Moreover, long-term funding is generally assigned higher stability weights relative to short-term funding.

The Required Stable Funding (RSF) figure is measured based on the liquidity, quality and tenor of assets and contingent exposures. Generally, short-term lending and highly-liquid assets require lower levels of stable funding to support.

The NSFR is reported and monitored at three organizational levels: *Local level* (NBK Kuwait excluding its overseas branches), *Bank-wide* level including NBK Kuwait and overseas branches (NBK SAKP) and *Group Level* [including all overseas branches and subsidiaries (NBK Group)].

Results Analysis and Main Drivers

NBK maintained comfortable stable funding buffers during the three months ending 31st March, 2024. Available Stable Funding at NBK Group level as of end of 31st March was around KD 23.0 billion against KD 21.1 billion of Required Stable Funding, resulting in NSFR of 109.32%. Despite the impact of global geopolitical tensions on the global economy and financial markets in the third quarter, there was no adverse effect on the Bank's NSFR position.

The main drivers behind the Available Stable Funding are the adequate capital base, sizable Retail deposit base, and long-term funding from non-financial companies and institutional clients. The capital base (including Tier-1 & Tier- 2 Capital Security) formed around 20%, retail deposits (including deposits from small-sized business customers) formed 43%, and wholesale funding formed 33% of the total Available Stable Funding, after applying the relevant weights.

The Required Stable Funding comprised primarily lending to companies, businesses, corporations, retail clients and financial institutions.

The stock of High-Quality Liquid Assets (HQLA), which includes cash and reserve balances with the Central Bank of Kuwait (CBK) and other central banks, government debt issuances in domestic and foreign currencies as well as debt issuances by highly-rated companies stood at KD 7.66 billion (before applying the RSF factors). Due to their high quality and liquid characteristic, these assets require no or low amount of stable funding. Accordingly, the HQLA's constituted only 5.32% of the Required Stable Funding after applying the relevant weights.

"Performing" loans constituted 79.58% of the total RSF after applying the relevant weights.

Non-HQLA investments, contingent funding obligations, such as committed credit facilities, guarantees and letters of credit (LCs), and other assets, constituted the remaining 16.60% of the Required Stable Funding.

National Bank of Kuwait Group



Net Stable Funding Ratio Disclosure – 31st March 2024

Quantitative information on the Net Stable Funding Ratio is provided in the table below. The values are as of 31st March 2024 for NBK Group.

1 Capita 2 • Regularies 3 • Other 4 Retail 5 • Stab 6 • Less 7 Whole 8 • Open 9 • Other 11 • NSF 12 • All of 13 Total Required St 14 14 Total 15 Depose 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK (22) • Secure 21 • Perfor 22 • With CBK (23) • Secure includ 24 24 Other	table Funding (ASF): tal: mulatory Capital ter Capital Instruments il deposits and deposits from small business customers: ble deposits s-stable deposits tesale funding: terational deposits	Unweighted V No specified maturity 4,416,726	Values (i.e. before the second	More than 6 months and less than one year	relevant factors) Over one year	Total weighted value
1 Capita 2 • Regularies 3 • Other 4 Retail 5 • Stab 6 • Less 7 Whole 8 • Open 9 • Other 11 • NSF 12 • All of 13 Total Required St 14 14 Total 15 Depose 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK (22) • Secure 21 • Perfor 22 • With CBK (23) • Secure includ 24 24 Other	tal: <i>inulatory Capital</i> <i>ier Capital Instruments</i> <i>ii</i> deposits and deposits from small business customers: <i>ble deposits</i> <i>s-stable deposits</i> esale funding:	maturity	months 	6 months and less than one	Over one year	weighted
1 Capita 2 • Regularies 3 • Other 4 Retail 5 • Stab 6 • Less 7 Whole 8 • Open 9 • Other 11 • NSF 12 • All of 13 Total Required St 14 14 Total 15 Depose 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK (22) • Secure 21 • Perfor 22 • With CBK (23) • Secure includ 24 24 Other	tal: <i>inulatory Capital</i> <i>ier Capital Instruments</i> <i>ii</i> deposits and deposits from small business customers: <i>ble deposits</i> <i>s-stable deposits</i> esale funding:	4,416,726	-			weighted
2 • Regu 3 • Othat 4 Retail 5 • Stab 6 • Less 7 Whole 8 • Open 9 • Othat 10 Other 11 • NSF 12 • All of 13 Total Required St 14 14 Total 15 Depose 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK (2) - 2 23 • Securinclud 24 Other 25 Physic	ulatory Capital er Capital Instruments il deposits and deposits from small business customers: ble deposits s-stable deposits esale funding:	4,416,726	-			
3 Othe 4 Retail 5 • Stab 6 • Less 7 Whole 8 • Open 9 • Othe 10 Other 11 • NSF 12 • All a 13 Total Required St • Depos purpor 16 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK (2) • Securic includ 24 24 Other	er Capital Instruments il deposits and deposits from small business customers: ble deposits s-stable deposits esale funding:	4,416,726	-			
4 Retail 5 • Stab 6 • Less 7 Whole 8 • Open 9 • Other 10 Other 11 • NSF 12 • All of 13 Total 14 Total 15 Depose 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 19 • Perfor 20 • The Carrow 21 • Perfor 22 • With CBK of C23 23 • Securinclud 24 Other	il deposits and deposits from small business customers: ble deposits s-stable deposits esale funding:	-	-	-	241,940	4,658,666
6 • Less 7 Whole 8 • Open 9 • Other 10 Other 11 • NSF 12 • All of 13 Total Required St 14 Total 15 Depos purpo- 16 Perfor 17 • Perfor HQLA 18 • Perfor 19 • Perfor 19 • Perfor 19 • Perfor 20 • I 21 • Perfor 20 • I 21 • Perfor 5 oretor 5 oretor	s-stable deposits esale funding:			-	-	-
7 Whole 8 • Open 9 • Other 10 Other 11 • NSF 12 • All o 13 Total Required St 14 14 Total 15 Depos 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK (2) • Securic includ 23 23 • Securic includ 24 Other 25	esale funding:	-	128,814	19,757	35,249	176,391
8 • Open 9 • Other 10 Other 11 • NSF 12 • All of 13 Total Required St 14 14 Total 15 Depos purpor 16 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK (2) • Securinclud 24 Other 25 Physic		-	9,590,424	907,713	312,990	9,761,313
9 • Other 10 Other 11 • NSF 12 • All a 13 Total 14 Total 15 Depos purpoo 16 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 • Ithe Ca 21 • Perfor 22 • With CBK 0 23 23 • Secu includ 24 Other 25	rational denosits					
10 Other 11 • NSF 12 • All a 13 Total 14 Total 15 Depos purpo: 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 • Her 21 • Perfor 22 • With CBK (2) 23 • Secu includ 24 Other 25 Physica	rational acposus	-	1,037,461	-	-	518,730
11 • NSF 12 • All a 13 Total Required St 14 14 Total 15 Depos purpo 16 Perfor HQLA 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK 0 23 23 • Securinclud 24 Other 25 Physica	er wholesale funding	-	15,927,591	2,952,989	885,733	7,021,855
12 • All a 13 Total Required St 14 14 Total 15 Depos purpo: 16 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK 0 23 23 • Secu includ 24 24 Other	r liabilities:					
13 Total Required St 14 Total 15 Depose purpo: 16 Perfor 17 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With 23 • Secure includ 24 24 Other	FR derivative liabilities	-	-	-	-	-
Required St 14 Total 15 Depose purpoo Perfor 16 Perfor 17 • Perfor 18 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 20 - 1 21 • Perfor 22 • With CBK 02 • Secure 23 • Secure includ 24 24 Other	other liabilities not included in the above categories	383,130	1,489,392	27,944	535,814	910,719
14 Total 15 Depose purportion of the performance of		4,799,856	28,173,682	3,908,404	2,011,726	23,047,675
 15 Depos purpos 16 Perfor 17 • Perfor HQLA 18 • Perfor Level institut 19 • Perfor to reta sovere 20 • I the Ca guided 21 • Perfor 22 • With CBK 0 23 • Secu includ 24 Other 25 Physica 	NSFR high-quality liquid assets (HQLA)	7,477,800	-	177,263		1,120,728
16 Perfor 17 • Perfor 18 • Perfor 18 • Perfor 19 • Perfor 19 • Perfor 10 • Perfor 20 • If 21 • Perfor 22 • With CBK 02 • Securic 10 • Case of the second of the secon	sits held at other financial institutions for operational	6,877.33	-	-	-	3,439
HQLA 18 • Perfu Level institu 19 • Perfu to reta sovere 20 • 1 the Ca guided 21 • Perfu 22 • With CBK (23) • Secu includ 24 Other 25 Physic	rming loans and securities:					
Level institu 19 • Perfu- to reta sovere 20 • 1 the Ca guided 21 • Perfu- 22 • With CBK (2 23 • Secu- includ 24 Other 25 Physia	forming loans to financial institutions secured by Level 1 A	-	-	-	-	-
to reta sovere 20 - 1 the Ca guidel 21 • Perfa 22 - With CBK (23 • Secu includ 24 Other 25 Physia	forming loans to financialinstitutions secured by non- 1 HQLA and unsecured performing loans to financial nutions		3,753,065	212,089	1,083,447	1,752,451
the Ca guided 21 • Perfe 22 - With CBK 0 23 • Secu includ 24 Other 25 Physic	forming loans to non- financial corporate clients, loans ail and small business customers, and loans to eigns, central banks and PSEs, of which:	-	8,760,243	1,794,295	12,204,028	14,710,655
22 - With CBK (23 • Secu- includ 24 Other 25 Physic		-	-	-	484,333	314,817
CBK (23 • Secu includ 24 Other 25 Physic	forming residential mortgages, of which:				-	-
includ 24 Other 25 <i>Physic</i>	h a risk weight of less than or equal to 35% under the Capital Adequacy Ratio – Basel III Guidelines	-			-	-
25 Physic	urities that are not in default and do not qualify as HQLA, ling exchange-traded equities	-		-	1,008,481	857,209
	ical traded commodities, including gold 's posted as initial margin for derivative contracts and ibutions to default funds of CCPs	-				-
	R derivative assets	89,133				89,133
28 NSFR	R derivative liabilities before deduction of variation in posted	65,847	-	-		65,847
		929,329	963,638	327,711	546,850	1,939,924
	ther assets not included in the above categories	2,264,096	4,160,770	3,190,443	1,250,647	543,298
31 Total		10,833,082	17,637,716	5,701,801	16,093,583	21,082,813

¹²Quarterly statement.