

Introduction:

Under the directive (2/RBA/346/2014) issued by the Central Bank of Kuwait (CBK) dated 23 December 2014, Islamic Banks licensed in the State of Kuwait adopted the Liquidity Coverage Ratio (LCR) as part of CBK's implementation of Basel III reforms. LCR's general disclosures are based on strengthening the bank's ability to meet the liquidity risk profile in the short term and ensure the availability of sufficient stock of high-quality liquid assets (HQLA) for the bank to meet liquidity needs that may arise in a significant stress scenario lasting up to 30 days.

Centralization of Liquidity Management of KFH Group:

KFH Group Treasury in Kuwait is centralized under the Group Chief Treasury Officer (GTCO) which subsequently includes Treasury of KFH Banking Subsidiaries. All respective subsidiary CTOs have an indirect reporting line to the GTCO and all money market borrowing and lending transactions are reported to KFH Group Treasury.

Under Group Treasury, each desk acts as a centralized group desk that continuously reviews the group treasury transactions and accordingly advises the subsidiaries; with the addition of providing for any liquidity short falls and deploying access to liquidity as required. Furthermore, for better management and consolidation, any new money market bank lines requests and limits allocation are managed centrally through Financial Institutions (FI) Unit that reports into Group Treasury.

Liquidity Risk Management Governance and Organization:

The bank's Group Assets & Liabilities Committee (GALCO), Assets & Liabilities Committee (ALCO) and Treasury function are ultimately responsible for the management of the group liquidity risk. The Board of Directors is ultimately responsible for ensuring effective management of liquidity risk. It sets the liquidity and funding risk appetite for the bank and approves the major policies concerning liquidity risk management and funding.

Sources of Liquidity risks:

"Liquidity risk is the potential loss to KFH arising from the institution's inability to meet its obligations or to fund increases in assets as they fall due, without incurring unacceptable costs or losses". All KFH banking subsidiaries must manage their liquidity in such a way to have full certainty over the availability of funds, ensuring orderly operations for their activities. In addition, KFH banking subsidiaries comply at all times with the local regulatory liquidity requirements, as well as specific KFH group and local policies.

The KFH Group Liquidity Management Framework:

KFH Group Liquidity Management policy was approved by the Board and covers two main areas; liquidity management and contingency planning.

All KFH banking subsidiaries are required to have a country specific liquidity contingency funding plan in place. The purpose of Liquidity Contingency Planning Policy is to establish guidelines that recognizes best practices and complies with applicable laws and regulations in Kuwait. The Bank operates as an Islamic Bank abiding by the guidelines of Shari'a Law as interpreted and pronounced by the Fatwa and Shari'a

Supervisory Board (FASSB) of the Bank as well as any Shari'a guidelines issued by the regulatory bodies in the State of Kuwait.

Results Analysis and Main Drivers

KFH Group sustained a comfortable High-Quality Liquid Assets (HQLA) buffer during the three-month period ending 31 March 2026, with average post-haircut HQLA of approximately KD 5.0 billion compared to average net cash outflows of KD 2.0 billion. Accordingly, the Liquidity Coverage Ratio (LCR) for the period stood at 250.55%.

The average HQLA portfolio, after application of regulatory haircuts, is composed primarily of Level 1 assets, mainly in the form of cash and reserve balances with the Central Bank of Kuwait (CBK), the available reserve balance with central banks of countries in which our subsidiaries operate, and eligible sukuk issued in jurisdictions where the Group's liquidity risk is being taken.

The main drivers of the net cash outflows were a combination of retail deposits and small business combined with unsecured wholesale funding totaling 70.22% of total cash-outflows.

Quantitative information on the Liquidity Coverage Ratio is provided in the table below, with values calculated as the simple average of daily observations over the period from 01 January 2026 to 31 March 2026 for KFH Group.

Table 6: LCR Common Disclosure*

"KWD '000s"			
S.	Description	Value before applying flow rates (average)**	Value after applying flow rates ¹ (average)**
High-Quality Liquid Assets (HQLA)			
1	Total HQLA (before adjustments)		4,999,657
Cash Outflows			
2	<u>Retail deposits and small business</u>		
3	• Stable deposits	3,922	305
4	• Less stable deposits	15,703,878	1,663,188
5	Deposit, investment accounts and unsecured wholesale funding excluding the deposits of small business customers:		
6	• Operational deposits	274	59
7	• Non-operational deposits (other unsecured commitments)	5,928,861	3,597,142
8	Secured Funding		179,824
9	Other cash outflows, including:		
10	• Resulting from Shari'ah compliant hedging contracts	1,263,972	1,263,972
11	• Resulting from assets-backed sukuk and other structured funding instruments	-	-
12	• Binding credit and liquidity facilities	5,321,750	584,053
13	Other contingent funding obligations	3,218,061	160,903
14	Other contractual cash outflows obligations	298,550	298,550
15	Total Cash Outflows		7,747,995
Cash Inflows			
16	Secured lending transactions	-	-
17	Inflows from the performing exposures (as per the counterparties)	5,950,227	4,587,740
18	Other cash Inflows	1,425,612	1,425,612
19	Total Cash Inflows	7,375,839	6,013,352
Liquidity Coverage Ratio (LCR)			Total Adjusted Value²
20	Total HQLA (after adjustments)		4,999,657
21	Net Cash Outflows		1,995,493
22	LCR		250.55%

* Quarterly Statement.

** Simple Average for all business days of the template reporting period.

¹ Is the value after the application of respective haircuts for HQLA, inflow and outflow rates.

² Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on Level 2B and Level 2 assets for HQLA and cap on inflows).