



**BASEL 3**  
**Regulatory Liquidity Disclosures**

For the Three Months Ended 30<sup>th</sup> September 2020

## **Liquidity Coverage Ratio (LCR) for the quarter ended 30<sup>th</sup> September 2020**

### **Introduction**

In August 2018, the Central Bank of Bahrain (CBB) issued its regulations on Liquidity Risk Management (LM). The regulations require Bahraini bank licensees to meet a minimum Liquidity Coverage Ratio (LCR) of 100% on a daily basis. The objective of the LCR is to improve resilience of banks' short-term liquidity risk profile by ensuring that they have sufficient level of high-quality liquid assets (HQLAs) to honor net cash outflows and survive a significant stress scenario lasting for a period of up to 30 days.

The Central Bank of Bahrain (CBB) announced various measures to combat the effect of COVID-19 to ease liquidity conditions in the economy as well as to assist banks in complying with regulatory requirements. One of the measures was reduction in minimum Liquidity Coverage Ratio (LCR) requirement from 100% to 80%.

### **GFH Financial Group Liquidity Coverage Ratio**

The group has reported an LCR of 142% for Q3 2020 which is higher than the reported LCR of 118% for Q2 2020.

### **High Quality Liquid Assets (HQLA) Portfolio**

Assets qualify as HQLA if they can be easily and immediately converted into cash at little or no loss of value under stress circumstances. HQLA comprises of Level 1, Level 2A, and Level 2B liquid assets. Level 1 assets comprise of an unlimited share of the total pool and are not subject to haircuts. A 15 % haircut is applied to the current market value of each level 2A asset held in the stock of HQLA. Level 2B liquid assets, are considered less liquid and more volatile than Level 2A liquid assets.

GFH has constantly maintained a robust portfolio of High Quality Liquid Assets (HQLA) to support its liquidity position. The Group's total adjusted HQLA for the reporting period has increased by 69% compared to Q2 2020.

### **Net Cash out Flow**

The term total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. GFH calculates its outflows on the basis of total expected cash outflows of various categories or types of liabilities and off-balance sheet commitments such as Deposits repayments and Term debts by the rates at which they are expected to run off or be drawn down.

Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables such as money market placements and other non-HQLA securities funded by the Group; by the rates at which they are expected to flow out under the scenario up to an aggregate cap of 75% on total expected inflows as % of total expected cash outflows.

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(USD'000)

		<b>Total unweighted value ( average)</b>	<b>Total weighted value ( average)</b>
<b>High Quality Liquid Assets</b>			
1	Total HQLA		190,370
<b>Cash outflows</b>			
2	<b>Retail Deposits and deposits from small business customers, of which:</b>		
3	Stable Deposits	47,338	1,420
4	Less Stable Deposits	372,096	37,209
5	<b>Unsecured wholesale funding, of which</b>		
6	Operational Deposits ( all counterparties) and deposits in networks of cooperative banks	-	-
7	Non- Operational Deposits ( all counterparties)	577,816	364,521
8	unsecured sukuk	-	-
9	secured wholesale funding	124,531	89,007
10	<b>additional requirements of which;</b>		
11	outflows related to shariaa compliant hedging instruments exposures and other collateral requirements	-	-
12	outflows related to loss of funding on financing products	-	-
13	credit and liquidity facilities	112,283	9,353
14	<b>other contractual funding obligations</b>	186	74
15	<b>other contingent funding obligations</b>	170,982	8,549
16	Total Cash outflows		510,136
<b>Cash inflows</b>			
17	secured lending (e.g. reverse repos)	-	-
18	inflows from fully performing exposures	528,340	513,400
19	other cash inflows	-	-
20	total cash inflows		375,921
			<b>Total Adjusted Value</b>
21	<b>Total HQLA</b>		190,371
22	<b>Total Net Cash outflow</b>		134,215
23	<b>Liquidity Coverage Ratio (%)</b>		142%

## **Net Stable Fund Ratio (NSFR) for the quarter ended 30<sup>th</sup> September 2020**

### **Introduction**

Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding (ASF) relative to the amount of Required stable funding (RSF) This ratio should be equal to at least 100% on an ongoing basis. In August 2018, the Central Bank of Bahrain (CBB) issued the regulations to banks operating in Bahrain on the reporting of the Net Stable Funding Ratio effective 31 December 2019.

The Central Bank of Bahrain (CBB) announced various measures to combat the effect of COVID-19 to ease liquidity conditions in the economy as well as to assist banks in complying with regulatory requirements. One of the measures was reduction in minimum Net Stable Funding Ratio (NSFR) requirement from 100% to 80%.

### **Net Stable Fund Ratio (NSFR)**

The Group's NSFR stood at 94% as at 30th September 2020 which has improved from 88% as at June 30, 2020.

### **Available Stable Funding (ASF)**

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 1 year. The Group reported total capital of USD 1,053mn as at 30<sup>th</sup> September 2020. While Total weighted ASF value was USD 4,042mn.

### **Required Stable Funding (RSF)**

RSF is defined as the portion of assets and OBS exposures expected to be funded on an ongoing basis over a 1-year horizon. The group has reported Weighted OBS items of USD 16mn. The total weighted RSF stood at USD 4,278mn.

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
<b>Available Stable Funding (ASF):</b>						USD'000
1	Capital:					
2	Regulatory Capital	994,846	-	-	58,019	1,052,865
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	697,183	255,120	289,190	1,146,262
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other Wholesale funding	-	1,872,325	533,217	868,395	1,661,740
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	76,175	5,648	181,281	181,281
13	Total ASF	-	-	-	-	4,042,148
<b>Required Stable Funding (RSF):</b>						USD'000
14	Total NSFR high-quality liquid assets (HQLA)	793,375	-	-	-	45,223
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/ securities:	-	444,998	-	954,017	877,665
17	Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	-	-	298,093	253,379
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	138,697	89,224	-	113,961
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-

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(USD'000)

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	207,586	33,000	359,202	479,495
24	Other assets:	-	-	-	-	-
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'a-compliant hedging assets	-	-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	2,492,860	-	-	-	2,492,860
30	OBS items	-	-	-	-	15,720
31	Total RSF	-	791,281	122,224	1,611,312	4,278,302
32	NSFR (%)	-	-	-	-	94%