



BASEL 3
Regulatory Liquidity Disclosures

For the Three Months Ended 31st December 2020

Liquidity Coverage Ratio (LCR) for the quarter ended 30th 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.

GFH Financial Group Liquidity Coverage Ratio

The group has reported an LCR of 240% for Q4 2020 which is higher than the reported LCR of 142% for Q3 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 28% compared to Q3 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)

		Total unweighted value (average)	Total weighted value (average)
High Quality Liquid Assets			
1	Total HQLA		244,049
Cash outflows			
2	Retail Deposits and deposits from small business customers, of which:		
3	Stable Deposits	46,733	1,402
4	Less Stable Deposits	347,533	34,753
5	Unsecured wholesale funding, of which		
6	Operational Deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non- Operational Deposits (all counterparties)	532,694	350,809
8	unsecured sukuk	-	-
9	secured wholesale funding		6,941
10	additional requirements of which;		
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	109,761	9,739
14	other contractual funding obligations	187	75
15	other contingent funding obligations	180,615	9,031
16	Total Cash outflows		412,750
Cash inflows			
17	secured lending (e.g. reverse repos)	-	-
18	inflows from fully performing exposures	423,553	407,187
19	other cash inflows	-	-
20	total cash inflows	423,553	309,563
			Total Adjusted Value
21	Total HQLA		244,049
22	Total Net Cash outflow		103,188
23	Liquidity Coverage Ratio (%)		240%

Net Stable Fund Ratio (NSFR) for the quarter ended 31st December 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.

Net Stable Fund Ratio (NSFR)

The Group's NSFR stood at 97% as at 31st December 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 1,095mn as at 31st December 2020. While Total weighted ASF value was USD 4,345mn.

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's total weighted high-quality liquid assets (HQLA) was USD 50 mn. The group has also reported Weighted OBS items of USD 13mn. The total weighted RSF stood at USD 4,475mn.

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						USD'000
1	Capital:					
2	Regulatory Capital	1,009,571	-	-	85,635	1,095,206
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits					
6	Less stable deposits	-	793,480	306,688	231,458	1,221,609
7	Wholesale funding:					
8	Operational deposits					
9	Other Wholesale funding	-	2,042,390	485,665	1,016,610	1,845,431
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	81,718	29,287	182,725	182,725
13	Total ASF		-	-	-	4,344,971
Required Stable Funding (RSF):						USD'000
14	Total NSFR high-quality liquid assets (HQLA)					50,531
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/ securities:	-	453,447	20,628	906,357	838,420
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	-	127,045	-	214,171	245,568
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:	-	147,516	101,279	-	124,398
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	22,064	14,342
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	-	260,664	19,500	395,881	535,963
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	2,652,216	-	-	-	2,652,216
30	OBS items		-	-	-	13,743
31	Total RSF		988,673	141,407	1,538,473	4,475,181
32	NSFR (%)					97%