BASEL 3
Regulatory Liquidity Disclosures

For the three Months ended 31st March 2022

Liquidity Coverage Ratio (LCR) for the quarter ended 31st March 2022

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 CBB issued a circular on 27 May 2021, extending various regulatory support measures to Financial Institutions up to 31 December 2021. This was followed by CBB, per circular dated 23 December 2021 again extending these reliefs up to 30 June 2022. These regulatory support measures include but not limited to, reduction of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) from 100% to 80%.

GFH Financial Group Liquidity Coverage Ratio

The group has reported an LCR of 158% for Q1 2022.

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 4% from total adjusted HQLA for Q4 2021.

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.

(USD'000)

		Total unweighted value (average)	Total weighted value (average)
High Quality Liquid Assets			
1	Total HQLA		304,713
Cash outflows			
2	**Retail Deposits and deposits from small business customers, of which:**		
3	Stable Deposits	63,209	1,896
4	Less Stable Deposits	591,803	59,180
5	**Unsecured wholesale funding, of which**		
6	Operational Deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non- Operational Deposits (all counterparties)	826,971	472,501
8	unsecured sukuk	-	-
9	secured wholesale funding		72,206
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	105,636	9,644
14	**other contractual funding obligations**	783	313
15	**other contingent funding obligations**	464,699	23,509
16	Total Cash outflows		638,938
Cash inflows			
17	secured lending (e.g. reverse repos)	-	-
18	inflows from fully performing exposures	464,662	455,756
19	other cash inflows	-	-
20	total cash inflows	464,662	436,792
			Total Adjusted Value
21	**Total HQLA**		304,713
22	**Total Net Cash outflow**		202,145
23	**Liquidity Coverage Ratio (%)**		158%

Net Stable Fund Ratio (NSFR) for the quarter ended 31st March 2022

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 CBB issued a circular on 27 May 2021, extending various regulatory support measures to Financial Institutions up to 31 December 2021. This was followed by CBB, per circular dated 23 December 2021 again extending these reliefs up to 30 June 2022. These regulatory support measures include but not limited to, reduction of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) from 100% to 80%.

Net Stable Fund Ratio (NSFR)

The Group's NSFR stood at 99% as at 31st March 2022.

Available Stable Funding (ASF)

The amount of ASF is measured based on the broad characteristics of the relative stability of an institution's funding sources, including the contractual maturity of its liabilities and the differences in the propensity of different types of funding providers to withdraw their funding. The Group reported Total weighted ASF value was USD 4,908mn.

Required Stable Funding (RSF)

The amount of RSF funding is measured based on the broad characteristics of the liquidity risk profile of an institution's assets and Off-Balance Sheet exposures. The total weighted RSF stood at USD 4,937mn.

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):						
1	Capital:					
2	Regulatory Capital	1,062,118	-	-	51,603	1,113,721
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		172,042	31,482	3,764	197,112
6	Less stable deposits	-	1,170,922	444,681	110,204	1,564,247
7	Wholesale funding:					
8	Operational deposits					
9	Other Wholesale funding	-	2,680,912	1,010,893	825,859	1,939,245
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	473,834	19,605	93,700	93,700
13	Total ASF					4,908,025
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	1,612,213				85,050
15	Depsoits held at other financial institutions for opetational purposes					
16	Performing financing and sukuk/ securities:	-	625,155	-	747,977	729,554
17	Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-

(USD'000)

18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	4,992	-	1,068,615	910,819
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:	-	293,863	142,118	215,988	358,382
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	-	-	-	-	-
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	720,475	411,474	466,445	1,032,419
24	Other assets:					
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts 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	1,784,983	-	-	-	1,784,983
30	OBS items		-	-	-	36,062
31	Total RSF		1,644,484	553,591	2,499,025	4,937,270
32	NSFR(%)					99%