

Kuwait Finance House B.S.C.(c)
Liquidity Disclosures - Basel III
30 June 2025

25 Liquidity Ratios Disclosures - 30 June 2025

In August 2018, the Central Bank of Bahrain issued the regulations on the implementation of the Net Stable Funding Ratio (NSFR) in the Liquidity Module to be applied to banks operating in Bahrain effective from 31 December 2019. The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience of bank's liquidity risk profiles and to incentivize a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability. As per CBB Disclosure requirements, consolidated NSFR is to be published on a quarterly basis.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio must be equal to at least 100 percent.

'Available Stable Funding' is defined as the portion of capital and liabilities expected to be reliable which is determined by various factor weights according to the nature and maturity of liabilities with liabilities having maturity of 1 year or more receiving 100% weight. 'Required Stable Funding' is defined as the portion of on balance sheet and off balance sheet exposures which requires to be funded on an ongoing basis. The amount of such stable funding required is a function of the liquidity characteristics and residual maturities of the various assets held.

KFH maintained comfortable stable funding buffers on 30 June 2025. Available Stable Funding at KFHBahrain was USD 16.3 billion against USD 13.7 billion of Required Stable Funding, resulting in a consolidated NSFR of 118.7%. NSFR as on 31 March 2025 was 122.2%.

The main drivers behind the Available Stable Funding are the adequate capital base, sizeable retail deposit base, and funding from non-financial companies and long term funding from institutional clients. The capital base formed around 33.8%, retail deposits (including deposits from small-sized business customers) formed 25.7%, and wholesale funding formed 39.4% of the total Available Stable Funding, after applying the relevant weights.

The Required Stable Funding primarily comprised lending to corporates, retail clients and financial institutions. The stock of High-Quality Liquid Assets (HQLA), which includes cash and reserve balances with the CBB and other central banks, government sukuk issuances in domestic and foreign currencies as well as sukuk issuances by highly-rated companies was USD 9.4 billion. Due to their high quality and liquid characteristic, these assets require no or low amount of stable funding. Accordingly, the HQLA constituted only 14.5% of the Required Stable Funding after applying the relevant weights. Performing financing to both non-financial and financial institutions constituted 53.0% of the total RSF after applying the relevant weights while Non-HQLA investments contributed 22.8% of the total RSF. Other assets and Contingent funding obligations, such as committed credit facilities, guarantees and letters of credit (LCs) constituted the remaining 10.2% of the Required Stable Funding.

The NSFR is supplemented by Liquidity Coverage Ratio (LCR) which measures the Bank's availability of HQLA to support short term liquidity stress situation as defined in the CBB rules. As of 30 June 2025, the Bank's consolidated LCR was 485.44% against a minimum limit of 100%.

Quantitative information on Net stable Funding Ratio is provided in the table below.

NSFR Common Disclosure Template

As at 30-June-25

No.	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value in USD ('000)
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):						
1	Capital					
2	Regulatory Capital	5,337,058			183,569	5,520,628
3	Other Capital Instruments				-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		278,625	579,892	393,022	1,208,613
6	Less stable deposits		2,034,457	1,223,709	54,362	2,986,712
7	Wholesale funding:					
8	Operational deposits		7,107			3,554
9	Other wholesale funding		10,670,076	1,575,647	2,923,329	6,422,649
10	Other liabilities:					
11	NSFR derivative liabilities	21,861				-
12	All other liabilities not included in the above categories		748,489	93,302	175,489	175,489
13	Total ASF (2+3+5+6+8+9+11+12)					16,317,643
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					1,998,420
15	Deposits held at other financial institutions for operational purposes					
16	Performing financing and securities:					
17	Performing financing to financial institutions secured by Level 1 HQLA					
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	1,951,977	-	72,424	365,221
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:	-	3,233,919	1,299,324	4,508,772	6,078,940
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines				100,689	65,448
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				1,186,907	771,490
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		60,801	39,270	3,613,234	3,127,641
24	Other assets:					
25	Physical traded commodities, including gold					
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	202,492				172,118
27	NSFR derivative assets	207,535				207,535
28	NSFR derivative liabilities before deduction of variation margin posted	20,847				20,847
29	All other assets not included in the above categories	803,394	-	-	-	803,394
30	OBS items	3,994,958	-	-	-	199,748
31	Total RSF (14+15+17+18+19+22+23+25+26+27+28+29+30)					13,745,354
32	NSFR (%)					118.71%