Regulatory Liquidity Disclosures
31 March 2022

Introduction

In June 2019, the Central Bank of Bahrain (CBB) issued the regulations to banks operating in Bahrain on the reporting of the Liquidity Coverage Ratio (LCR) as part of the Basel III reforms.

The main objective of the Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient level of high-quality liquid assets (HQLA) to cover net outflows and survive a significant stress scenario lasting for a period of up to 30 calendar days. Under the requirements, the Bank is required to maintain an LCR requirement of at least 100% on a daily basis.

To partially counteract the impact of the delayed loan settlements, the CBB provided banks with additional reliefs in Q1 2020 by reducing the minimum LCR requirement from 100% to 80%, and by reducing the regulatory reserve requirements until 31st December 2021. Bank ABC continued to meet the original minimum LCR of 100% at all times.

High Quality Liquid Assets (HQLA) Portfolio

HQLA eligible securities, fall into three categories: Level 1, Level 2A, and Level 2B liquid assets. Level 1 liquid assets, which are of the highest quality and deemed the most liquid is subject to no or little discount (or haircuts) to their market value and may be largely used without limit in the liquidity buffer. Level 2A and 2B securities are recognised as being relatively stable and reliable sources of liquidity, but not to the same extent as Level 1 assets. LCR rules therefore set a 40 per cent composition cap on the combined amount of Level 2A and Level 2B securities that firms may hold in their total eligible liquidity buffer. Level 2B liquid assets, which are considered less liquid and more volatile than Level 2A liquid assets, are subject to large and varying haircuts and may not exceed 15 per cent of the total eligible HQLA.

Bank ABC Group's HQLA comprised primarily “Level 1” securities (88%) with the Central Bank of Bahrain (CBB) and the sovereign and central banks of countries where the Bank has branches and subsidiaries, and also include highly rated corporate debt issuances.

Outflows & Inflows

Expected outflows are generally calculated as a percentage outflow of on-balance sheet items (e.g. funding received) and off-balance sheet commitments (e.g. credit and liquidity lines) made by firms. The % of outflow varies typically by counterparties per the liquidity rules.

Expected inflows are also generally calculated as a percentage inflow on-balance sheet items and include inflows (e.g. from corporate or retail loans) that will be repaid within 30 days. To ensure a minimum level of liquid asset holdings, and to prevent firms from relying solely on anticipated inflows to meet their liquidity coverage ratio, the prescribed amount of inflows that can offset outflows is capped at 75 per cent of total expected outflows.

The cash-outflows were driven primarily by unsecured wholesale funding and inter-bank borrowings.

The Bank utilises internal Risk Appetite Statement thresholds (“RAS”) which act as early warning indicators and safeguards to ensure LCR is maintained above the regulatory minimum requirements at all times.

Quantitative Disclosure

The Group continued to maintain a strong average LCR position over the reporting period with a prudent surplus to both Board approved risk appetite and regulatory requirements. The Group's average LCR was 309% in the First quarter of 2022 (compared to December 2021: 311%) driven by stable HQLA holdings and lower net cash outflows, reflecting the Group's focus on high-quality liquid assets across our units and aligned with overall growth in the Group's balance sheet and external liquidity environment. Bank ABC also holds adequate liquidity across all its footprint to meet all local prudential LCR requirements, where applicable.

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

Quantitative Disclosure (continued)

All figures in US$ '000

		31 March 22		31 December 2021	
		Total unweighted value (average)**	Total weighted value (average)**	Total unweighted value (average)**	Total weighted value (average)**
High-quality liquid assets					
1	Total HQLA		4,328		4,686
Cash outflows					
2	**Retail deposits and deposits from small business customers, of which:**				
3	Stable deposits				
4	Less stable deposits	1,272	127	1,278	128
5	**Unsecured wholesale funding, of which:**				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	501	125	473	118
7	Non-operational deposits (all counterparties)	8,665	4,520	8,191	4,320
8	Unsecured debt	-	-	-	-
9	**Secured wholesale funding**		63		16
10	**Additional requirements, of which:**				
11	Outflows related to derivative exposures and other collateral requirements	14	14	19	19
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	120	13	130	14
14	**Other contractual funding obligations**	303	303	294	294
15	**Other contingent funding obligations**	1,735	87	1,913	96
16	Total Cash Outflows		5,251		5,004
Cash inflows					
17	Secured lending (eg. reverse repos)	486	27	689	42
18	Inflows from fully performing exposures	4,596	3,215	4,858	3,183
19	Other cash inflows	611	611	274	274
20	Total Cash Inflows	5,694	3,852	5,822	3,500
	Cap on cash inflows	75%	3,938	75%	3,753
	Total cash inflows after applying the cap		3,852		3,500
			Total adjusted value		Total adjusted value
21	**Total HQLA**		**4,328**		4,686
22	**Total net cash outflows**		**1,399**		1,505
23	**Liquidity Coverage Ratio (%) Average**		**309%**		311%

** *In accordance with the CBB liquidity module, LCR presented above is a simple average of daily LCR of all working days during Q1 2022 and Q4 2021 respectively.*
The Consolidated Group LCR ratio as at 31st March 2022 was 247% (31st December 2021: 228%).

Bank ABC acquired Blom Bank Egypt effective 11th August. Whilst the integration is taking place, figures of the acquired entity has been considered based on their local regulatory submission.

Introduction

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 (NSFR) effective 31 December 2019. The purpose of this disclosure is to provide the information pursuant to CBB's Liquidity Risk Management module LM 12.5 "General Disclosure Requirements".

The NSFR is a balance sheet metric which requires institutions to maintain a stable funding profile in relation to the characteristics of their assets and off-balance sheet activities over a one-year horizon. It is the ratio between the amount of available stable funding (ASF) and the amount of required stable funding (RSF). ASF factors are applied to balance sheet liabilities and capital, based on their perceived stability and the amount of stable funding they provide. Likewise, RSF factors are applied to assets and off-balance sheet exposures according to the amount of stable funding they require. As per the CBB liquidity disclosure requirement, the Consolidated NSFR is to be published on a quarterly basis. At the last reporting date, the Group NSFR remained above 100 per cent.

To partially counteract the impact on the banks arising from Covid 19, the CBB provided banks with additional reliefs in Q1 2020 by reducing the minimum NSFR requirement from 100% to 80% until 31st December 2021. Bank ABC continued to meet the original minimum NSFR ratio at all times.

The Bank utilises internal Risk Appetite Statement thresholds ("RAS") which act as early warning indicators and safeguards to ensure NSFR is maintained above the regulatory minimum requirements.

Quantitative Disclosure

At 31 March 2022, the Consolidated Group NSFR was stable at 124% (December 21 : 128%), well above the regulatory minimum. Available Stable Funding at Group level as of 31 December 2021 was around US$ 19.4 billion (December 21: US$ 19.3 billion) as against US$ 15.6 billion (December 21: US$ 15.1 billion) of Required Stable Funding. The increase over the previous quarter is primary due to consolidation of the recently acquired entity Blom Bank Egypt.

The drivers of available stable funding include Bank ABC's robust capital base, substantial and reliable wholesale funding from customers and a retail deposits in MENA units. Required stable funding include financing various customers including non-financial corporates, sovereigns, PSE's , financial institutions and retail and small business customers. Bank ABC's HQLA requires minimal funding mainly due to the significant component of Level 1 assets in the portfolio.

Quantitative Disclosure (continued)

All figures in US$ '000

		31 March 22					31 December 2021				
		Unweighted Values (i.e. before applying relevant factors)				Total weighted value	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
		No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year		No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year	
Available Stable Funding (ASF):											
1	Capital:										
2	*Regulatory Capital*	4,121				4,121	4,132				4,132
3	*Other Capital Instruments*	488			287	775	82			265	347
4	Retail deposits and deposits from small business customers:										
5	*Stable deposits*			122		116			122		116
6	*Less stable deposits*		1,413	244	161	1,652		1,500	315	203	1,836
7	Wholesale funding:										
8	*Operational deposits*										
9	*Other wholesale funding*		14,782	5,019	6,581	12,707		16,197	4,402	6,821	12,888
10	Other liabilities:										
11	*NSFR derivative liabilities*		-					27			
12	*All other liabilities not included in the above categories*		681			-		137			-
13	**Total ASF**					**19,371**					19,320
Required Stable Funding (RSF):											
14	Total NSFR high-quality liquid assets (HQLA)	7,579	104	-	-	500	8,307	140	-	-	526
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-	-	-	-	-	-
16	Performing loans and securities:										
17	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-	-	-	-	-	-
18	*Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions*	-	2,766	1,016	811	1,729	-	3,242	880	972	1,885
19	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*		6,191	2,425	5,616	9,082		6,372	1,735	5,618	8,829
20	*- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines*	-	-	-	143	93	-	-	-	141	92
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 that are not in default and* do not qualify as HQLA, including exchange-traded equities	-	157	1,011	1,949	2,240	-	274	626	1,950	2,108
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*										
27	*NSFR derivative assets*		169			169		-			-
28	NSFR derivative liabilities before deduction of variation margin posted		-			-		5			5
29	*All other assets not included in the above categories*	1,988	328	64	1,149	1,447	2,508	264	68	1,016	1,298
30	OBS items		7,462			373		7,266			363
31	**Total RSF**					**15,633**					15,107
32	**NSFR (%)**					**124%**					128%