



**Regulatory Liquidity Disclosures
31 March 2021**

Bank ABC (Arab Banking Corporation B.S.C.)

Regulatory Liquidity Disclosures

Liquidity Coverage Ratio (LCR) for the quarter ended 31st March 2021

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.

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 (85%) 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.

Bank ABC (Arab Banking Corporation B.S.C.)

Regulatory Liquidity Disclosures

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 203% in the first quarter of 2021 (compared to December 2020: 283%) 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 2021 (continued)

Quantitative Disclosure (continued)

All figures in US\$ '000

		31 March 2021		31 December 2020	
		Total unweighted value (average)**	Total weighted value (average)**	Total unweighted value (average)**	Total weighted value (average)**
High-quality liquid assets					
1	Total HQLA		4,308		4,322
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits				
4	Less stable deposits	1,014	101	1,032	103
5	Unsecured wholesale funding, of which:				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	7,540	4,256	6,833	3,797
8	Unsecured debt	-	-	-	-
9	Secured wholesale funding		45		23
10	Additional requirements, of which:				
11	Outflows related to derivative exposures and other collateral requirements	17	17	18	18
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	99	10	73	9
14	Other contractual funding obligations	8	8	11	11
15	Other contingent funding obligations	1,219	61	1,311	66
16	Total Cash Outflows		4,499		4,027
Cash inflows					
17	Secured lending (eg. reverse repos)	894	61	1,060	73
18	Inflows from fully performing exposures	3,555	2,253	3,632	2,347
19	Other cash inflows	66	66	78	78
20	Total Cash Inflows	4,515	2,380	4,769	2,498
	Cap on cash inflows	75%	3,374	75%	3,020
	Total cash inflows after applying the cap		2,380		2,498
			Total adjusted value		Total adjusted value
21	Total HQLA		4,308		4,322
22	Total net cash outflows		2,119		1,529
23	Liquidity Coverage Ratio (%) Average		203%		283%

** In accordance with the CBB liquidity module, LCR presented above is a simple average of daily LCR of all working days during Q1 2021 and Q4 2020 respectively.

The Consolidated Group LCR ratio as at 31st March 2021 was 200% (31st December 2020: 324%).

Bank ABC (Arab Banking Corporation B.S.C.)

Regulatory Liquidity Disclosures

Net Stable Fund Ratio (NSFR) for the quarter ended 31st March 2021

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.

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 2021, the Consolidated Group NSFR was stable at 124% (Dec 20 : 122%), well above the regulatory minimum. Available Stable Funding at Group level as of 31 March 2021 was around US\$ 15.9 billion (Dec 20: US\$ 15.6 billion) as against US\$ 12.9 billion (Dec 20: US\$ 12.8 billion) of Required Stable Funding.

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.

Bank ABC (Arab Banking Corporation B.S.C.)

Regulatory Liquidity Disclosures

Net Stable Fund Ratio (NSFR) for the quarter ended 31st March 2021 (continued)

Quantitative Disclosure (continued)

All figures in US\$ '000

	31 March 2021					31 December 2020				
	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	4,005			4,005	4,029				4,029
3	Other Capital Instruments	79			219	83			230	314
4	Retail deposits and deposits from small business customers:									
5	Stable deposits									
6	Less stable deposits		1,280	193	161	1,487	1,277	239	151	1,516
7	Wholesale funding:									
8	Operational deposits									
9	Other wholesale funding		14,153	3,773	4,718	10,155	14,616	3,174	4,620	9,780
10	Other liabilities:									
11	NSFR derivative liabilities		83				55			
12	All other liabilities not included in the above categories		673			-	948			-
13	Total ASF					15,945				15,638
Required Stable Funding (RSF):										
14	Total NSFR high-quality liquid assets (HQLA)	7,499	58	-	-	412	7,455	10	-	398
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	-	3,058	1,261	802	1,860	-	3,454	969	613
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:		5,007	2,050	5,150	7,907	5,740	1,751	5,452	8,380
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	188	122	-	-	-	156
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	-	221	187	1,548	1,519	-	135	57	1,626
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									
28	NSFR derivative liabilities before deduction of variation margin posted		35			35		11		11
29	All other assets not included in the above categories	1,429	362	4	436	668	1,329	301	12	362
30	OBS items		7,251			363		6,977		349
31	Total RSF					12,885				12,831
32	NSFR (%)					124%				122%