



**Regulatory Liquidity Disclosures  
31 December 2019**

## Liquidity Coverage Ratio (LCR) for the year ended 31st December 2019

### *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.

### *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 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.

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**Liquidity Coverage Ratio (LCR) for the year ended 31st December 2019 (continued)**

**Quantitative Disclosure**

The Bank 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 Bank's average LCR was 441% in the fourth quarter (previous quarter: 357%) driven by higher average HQLA holdings and lower net cash outflows, reflecting the Bank's focus on high-quality liquid assets with overall growth in the Bank's balance sheet.

All figures in US\$ '000

		Total unweighted value (average)**	Total weighted value (average)**
<b>High-quality liquid assets</b>			
1	Total HQLA		3,110,501
<b>Cash outflows</b>			
2	<b>Retail deposits and deposits from small business customers, of which:</b>		
3	Stable deposits	-	-
4	Less stable deposits	59,443	5,469
5	<b>Unsecured wholesale funding, of which:</b>		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	4,039,420	2,322,854
8	Unsecured sukuk	-	-
9	<b>Secured wholesale funding</b>		11,437
10	<b>Additional requirements, of which:</b>		
11	Outflows related to Shari'a-compliant hedging instruments exposures and other collateral requirements	12,744	12,744
12	Outflows related to loss of funding on financing products	-	-
13	Credit and liquidity facilities	-	-
14	<b>Other contractual funding obligations</b>	-	-
15	<b>Other contingent funding obligations</b>	424,942	21,433
16	Total Cash Outflows		2,373,936
<b>Cash inflows</b>			
17	Secured lending (eg. reverse repos)	55,231	50,453
18	Inflows from fully performing exposures	2,072,591	1,491,468
19	Other cash inflows	126,427	126,427
20	Total Cash Inflows	2,254,248	1,668,347
	Cap on cash inflows	75%	1,780,452
	Total cash inflows after applying the cap		1,668,347
			<b>Total adjusted value</b>
21	<b>Total HQLA</b>		3,110,501
22	<b>Total net cash outflows</b>		705,589
23	<b>Liquidity Coverage Ratio (%)</b>		441%

\*\* In accordance with the CBB liquidity module, LCR presented above is a simple average of daily LCR of all working days during Q4 2019.

The above ratio is reported at Domestic Liquidity Group (DLG). ie, at aggregate level for Bank ABC Parent and ABC Islamic Bank.

The DLG LCR ratio as at 31st December 2019 was 445%.

## **Net Stable Fund Ratio (NSFR) for the year ended 31st December 2019**

### ***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 Bank's NSFR is to be published on a quarterly basis. At the last reporting date, the Bank's 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 the first reporting date on 31 December 2019, the Bank's NSFR was 106%, above the regulatory minimum. Available Stable Funding level as of 31 December 2019 was around US\$ 9.5 billion as against US\$ 9.0 billion of Required Stable Funding.

The drivers of available stable funding include the Bank'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. The Bank's HQLA requires minimal funding mainly due to the significant component of Level 1 assets in the portfolio.

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**Net Stable Fund Ratio (NSFR) for the year ended 31st December 2019 (continued)**

**Quantitative Disclosure (continued)**

All figures in US\$ '000

		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	
<b>Available Stable Funding (ASF):</b>						
1	Capital:					
2	<i>Regulatory Capital</i>	4,038				4,038
3	<i>Other Capital Instruments</i>				92	92
4	Retail deposits and deposits from small business customers:					
5	<i>Stable deposits</i>					
6	<i>Less stable deposits</i>	42	3	2		43
7	Wholesale funding:					
8	<i>Operational deposits</i>					
9	<i>Other wholesale funding</i>	781	8,024	397	2,874	5,366
10	Other liabilities:					
11	<i>NSFR Shari'a-compliant hedging contract liabilities</i>	35				
12	<i>All other liabilities not included in the above categories</i>	165				-
13	<b>Total ASF</b>					9,539
<b>Required Stable Funding (RSF):</b>						
14	Total NSFR high-quality liquid assets (HQLA)	1,335	2,752	-	-	323
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/securities:	216	1,592	591	553	1,070
17	<i>Performing financing to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
18	<i>Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions</i>	-	-	-	-	-

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**Net Stable Fund Ratio (NSFR) for the year ended 31st December 2019 (continued)**

**Quantitative Disclosure (continued)**

All figures in US\$ '000

		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	
<b>Required Stable Funding (RSF) (continued):</b>						
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:		2,870	374	2,807	4,430
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	-	247	76	1,151	1,139
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	7				7
28	NSFR shari'a-compliant hedging contract liabilities before deduction of variation margin posted					
29	All other assets not included in the above categories		21		1,862	1,873
30	OBS items		1,273	321	1,269	143
31	<b>Total RSF</b>					8,985
32	<b>NSFR (%)</b>					<b>106%</b>

The above ratio is reported at Domestic Liquidity Group (DLG). ie, at aggregate level for Bank ABC Parent and ABC Islamic Bank.