Bank ABC

Regulatory Liquidity Disclosures
31 March 2023

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.

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 (90%) 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 201% in the first quarter of 2023 (compared to December 2022: 214%) 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 December 2022 (continued)

Quantitative Disclosure (continued)

All figures in US$ '000

		31 March 23		31 December 22	
		Total unweighted value (average)**	Total weighted value (average)**	Total unweighted value (average)**	Total weighted value (average)**
High-quality liquid assets					
1	Total HQLA		4,514		4,588
Cash outflows					
2	**Retail deposits and deposits from small business customers, of which:**				
3	Stable deposits				
4	Less stable deposits	1,282	128	1,194	119
5	**Unsecured wholesale funding, of which:**				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	308	77	375	94
7	Non-operational deposits (all counterparties)	8,272	4,481	7,988	4,205
8	Unsecured debt	-	-	-	-
9	**Secured wholesale funding**		160		167
10	**Additional requirements, of which:**				
11	Outflows related to derivative exposures and other collateral requirements	2	2	42	42
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	175	18	123	15
14	**Other contractual funding obligations**	116	116	75	75
15	**Other contingent funding obligations**	1,614	81	1,611	81
16	Total Cash Outflows		5,063		4,798
Cash inflows					
17	Secured lending (eg. reverse repos)	827	139	815	94
18	Inflows from fully performing exposures	3,470	2,442	3,077	2,223
19	Other cash inflows	234	234	337	337
20	Total Cash Inflows	4,530	2,815	4,228	2,654
	Cap on cash inflows	75%	3,797	75%	3,598
	Total cash inflows after applying the cap		2,815		2,654
			Total adjusted value		Total adjusted value
21	**Total HQLA**		**4,514**		4,588
22	**Total net cash outflows**		**2,247**		2,144
23	**Liquidity Coverage Ratio (%) Average**		**201%**		214%

** *In accordance with the CBB liquidity module, LCR presented above is a simple average of daily LCR of all working days during Q1 2023 and Q4 2022 respectively.*

The Consolidated Group LCR ratio as at 31st March 2023 was 200% (31st December 2022: 225%).

Bank ABC acquired Blom Bank Egypt effective 11th August 2021. 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.

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 2023, the Consolidated Group NSFR was stable at 125% (December 22 : 124%), well above the regulatory minimum. Available Stable Funding at Group level as of 31 March 2023 was around US$ 19.9 billion (December 22: US$ 19.6 billion) as against US$ 15.9 billion (December 22: US$ 15.7 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.

Quantitative Disclosure (continued)

All figures in US$ '000

		31 March 23					31 December 22				
		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):											
2	*Regulatory Capital*	3,962				3,962	3,995				3,995
3	*Other Capital Instruments*	473			300	773	470			290	759
4	Retail deposits and deposits from small business customers:										
5	*Stable deposits*			80		76			91		86
6	*Less stable deposits*		1,776	433	218	2,207		1,526	241	280	1,871
7	Wholesale funding:										
8	*Operational deposits*										
9	*Other wholesale funding*		13,615	4,640	7,522	12,929		16,403	4,056	7,393	12,863
10	Other liabilities:										
11	*NSFR derivative liabilities*		-					-			
12	*All other liabilities not included in the above categories*		773			-		1,084			-
13	**Total ASF**					**19,947**					19,575
Required Stable Funding (RSF):											
14	Total NSFR high-quality liquid assets (HQLA)	7,178	535	-	-	538	7,744	88	-	-	452
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*	-	3,017	832	632	1,490	-	4,099	819	693	1,677
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:*		7,001	2,081	5,809	9,479		7,281	2,128	5,729	9,574
20	*- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines*	-	-	-	312	203	-	-	-	100	65
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	-	162	787	1,364	1,634	-	231	444	854	1,063
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*		148			148		0			0
28	NSFR derivative liabilities before deduction of variation margin posted		-			-		-			-
29	*All other assets not included in the above categories*	1,516	383	6	1,747	2,026	2,772	327	18	2,214	2,504
30	OBS items		7,801			390		8,130			406
31	**Total RSF**					**15,908**					15,742
32	**NSFR (%)**					**125%**					124%