



**Regulatory Liquidity Disclosures
30 September 2021**

Bank ABC Islamic

Regulatory Liquidity Disclosures

Liquidity Coverage Ratio (LCR) for the period ended 30th September 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.

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.

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 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 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 201% in the third quarter of 2021 driven by high HQLA holdings and net cash outflows, reflecting the Group's focus on high-quality liquid assets and aligned with overall growth in the Group's balance sheet and external liquidity environment.

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Liquidity Coverage Ratio (LCR) for the period ended 30th September 2021 (continued)

Quantitative Disclosure (continued)

All figures in US\$ 'millions

		30 September 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		3,609		3,652
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits			-	-
4	Less stable deposits	286	29	79	8
5	Unsecured wholesale funding, of which:				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	4,508	2,455	4,325	2,411
8	Unsecured debt	-	-	-	-
9	Secured wholesale funding	57	10	70	20
10	Additional requirements, of which:				
11	Outflows related to derivative exposures and other collateral requirements	13	13	12	12
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	2	1	8	1
14	Other contractual funding obligations	203	203	11	11
15	Other contingent funding obligations	470	24	467	23
16	Total Cash Outflows		2,734		2,486
Cash inflows					
17	Secured lending (eg. reverse repos)	17	12	92	70
18	Inflows from fully performing exposures	1,394	886	1,468	998
19	Other cash inflows	36	36	37	37
20	Total Cash Inflows	1,447	934	1,597	1,106
	Cap on cash inflows	75%	2,051	75%	1,865
	Total cash inflows after applying the cap		934		1,106
			Total adjusted value		Total adjusted value
21	Total HQLA		3,609		3,652
22	Total net cash outflows		1,800		1,381
23	Liquidity Coverage Ratio (%) Average		201%		265%

** In accordance with the CBB liquidity module, LCR presented above is a simple average of daily LCR of all working days during Q3 2021 and Q4 2020 respectively.

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 30th September 2021 was 379%.

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Regulatory Liquidity Disclosures

Net Stable Fund Ratio (NSFR) for the period 30th September 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.

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 30 September 2021, the Bank's NSFR was 107% (Dec 20 : 108%), above the regulatory minimum. Available Stable Funding as of 30 September 2021 was around US\$ 9.5 billion (Dec 20: 9.0 billion) as against US\$ 8.9 billion (Dec 20: US\$ 8.4 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.

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Net Stable Fund Ratio (NSFR) for the period ended 30th September 2021 (continued)

Quantitative Disclosure (continued)

All figures in US\$ 'millions

	30 September 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	3,860				3,860	3,813			3,813
3	Other Capital Instruments				68	68			71	71
4	Retail deposits and deposits from small business customers:									
5	Stable deposits									
6	Less stable deposits	283				254	122	3	0	113
7	Wholesale funding:									
8	Operational deposits									
9	Other wholesale funding	855	7,386	2,311	2,113	5,357	1,056	8,415	237	2,700
10	Other liabilities:									
11	NSFR Shari'a-compliant hedging contract liabilities	139					197	-		
12	All other liabilities not included in the above categories	172				-	158			-
13	Total ASF					9,539				9,034
Required Stable Funding (RSF):										
14	Total NSFR high-quality liquid assets (HQLA)	4,494	1,086	-	-	407	3,555	1,685	-	-
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	-	9	-	-	1	-	49	-	-
18	Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-					-			
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:									
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	2,036	537	2,509	3,389	-	2,477	372	2,363
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	-	286	98	971	1,017	-	88	45	1,226
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 shari'a-compliant hedging assets	28				28	39			39
28	NSFR derivative liabilities before deduction of variation margin posted									
29	All other assets not included in the above categories	-	1,307	783	3,321	3,914		1,848	384	2,922
30	OBS items		1,167	668	1,123	148		1,002	322	1,146
31	Total RSF					8,904				8,384
32	NSFR (%)					107%				108%