

Ahli United Bank B.S.C.
Liquidity Disclosures - Basel III
30 September 2021

Net Stable Funding Ratio Disclosures - 30 September 2021

In August 2018, the Central Bank of Bahrain issued the regulations on the implementation of the Net Stable Funding Ratio (NSFR) in the Liquidity Module to be applied to banks operating in Bahrain effective from 31 December 2019. The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience of bank's liquidity risk profiles and to incentivize a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability. As per CBB Disclosure requirements, consolidated NSFR is to be published on a quarterly basis.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio must be equal to at least 100 percent. However, as per Central Bank of Bahrain (CBB) letters 'OG/106/2020' dated 17 March 2020, 'OG/318/2020' dated 21 September 2020 and 'OG/431/2020' dated 29 December 2020, the minimum NSFR ratio has been revised to 80 percent until 31 December 2021 in view of the potential liquidity stress due to the COVID -19 situation.

'Available Stable Funding' is defined as the portion of capital and liabilities expected to be reliable which is determined by various factor weights according to the nature and maturity of liabilities with liabilities having maturity of 1 year or more receiving 100% weight. 'Required Stable Funding' is defined as the portion of on balance sheet and off balance sheet exposures which requires to be funded on an ongoing basis. The amount of such stable funding required is a function of the liquidity characteristics and residual maturities of the various assets held.

AUB maintained comfortable stable funding buffers on 30 September 2021. Available Stable Funding at AUB Group level was USD 26.3 billion against USD 22.5 billion of Required Stable Funding, resulting in a consolidated NSFR of 117.0%. NSFR as on 30 June 2021 was 115.7%.

The main drivers behind the Available Stable Funding are the adequate capital base, sizeable retail deposit base, and funding from non-financial companies and long term funding from institutional clients. The capital base formed around 23.4%, retail deposits (including deposits from small-sized business customers) formed 26.1%, and wholesale funding formed 47.2% of the total Available Stable Funding, after applying the relevant weights.

The Required Stable Funding primarily comprised lending to corporates, retail clients and financial institutions. The stock of High-Quality Liquid Assets (HQLA), which includes cash and reserve balances with the CBB and other central banks, government debt issuances in domestic and foreign currencies as well as debt issuances by highly-rated companies was USD 10.2 billion. Due to their high quality and liquid characteristic, these assets require no or low amount of stable funding. Accordingly, the HQLA constituted only 6.6% of the Required Stable Funding after applying the relevant weights. Performing loans to both non-financial and financial institutions constituted 64.3% of the total RSF after applying the relevant weights while Non-HQLA investments contributed 14.6% of the total RSF. Other assets and Contingent funding obligations, such as committed credit facilities, guarantees and letters of credit (LCs) constituted the remaining 14.5% of the Required Stable Funding.

The NSFR is supplemented by Liquidity Coverage Ratio (LCR) which measures the Bank's availability of HQLA to support short term liquidity stress situation as defined in the CBB rules. As of 30 September 2021, the Bank's consolidated LCR was 206.2% against a minimum limit of 80%.

Quantitative information on Net stable Funding Ratio is provided in the table below.

NSFR Common Disclosure Template
For the Period Ending on 30-September-21

No.	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value in USD ('000)
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):						
1	Capital					
2	Regulatory Capital	5,636,467			519,289	6,155,756
3	Other Capital Instruments				-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		938,607	76,876	291	964,999
6	Less stable deposits		5,430,674	398,762	642,672	5,889,164
7	Wholesale funding:					
8	Operational deposits		-			-
9	Other wholesale funding		18,629,371	4,016,077	4,113,714	12,413,287
10	Other liabilities:					
11	NSFR derivative liabilities	18,926				-
12	All other liabilities not included in the above categories		399,935	227,072	850,282	850,282
13	Total ASF (2+3+5+6+8+9+11+12)					26,273,488
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					1,481,903
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	-	2,622,095	314,352	325,457	875,947
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:	-	11,376,428	1,903,812	7,497,984	12,926,909
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines				432,487	281,117
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				972,415	632,070
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		402,624	272,819	3,243,000	3,278,148
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	157,228				133,644
27	NSFR derivative assets	100,298				100,298
28	NSFR derivative liabilities before deduction of variation margin posted	109,096				109,096
29	All other assets not included in the above categories	2,496,769	-	-	-	2,496,769
30	OBS items	8,467,547	-	-	-	423,377
31	Total RSF (14+15+17+18+19+22+23+25+26+27+28+29+30)					22,458,162
32	NSFR (%)					117.0%