

BBK B.S.C
Liquidity Disclosures - Basel III
30th September 2019

Introduction:

In August 2018, the Central Bank of Bahrain (CBB) issued its regulations on Liquidity Risk Management (LM). Amongst other things, the LM regulations mandate banks to implement Liquidity Coverage Ratio (LCR) by end of June 2019. The main objective of the LCR is to promote short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient level of high-quality liquid assets (HQLAs) to honor net cash outflows and survive a significant stress scenario lasting for a period of up to 30 days. As per CBB LM regulations, banks must meet the minimum LCR of not less than 100 percent on a daily basis.

The below table provides information on BBK's Consolidated LCR for the quarter ended 30th September 2019:

BD'000

Consolidated LCR		Total Unweighted Value (average)	Total Weighted Value (average)
HIGH-QUALITY LIQUID ASSETS			
1	Total HQLA		1,361,823
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	392,212	11,766
4	Less stable deposits ⁽¹⁾	550,799	57,310
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0
7	Non-operational deposits (all counterparties)	967,494	741,685
8	Unsecured debt	0	0
9	Secured wholesale funding		270
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	78	78
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	527,458	63,653
14	Other contractual funding obligations	10,606	10,606
15	Other contingent funding obligations	351,999	17,600
16	Total Cash Outflows		902,968
CASH INFLOWS			
17	Secured lending (eg reverse repos)	0	0
18	Inflows from fully performing exposures	452,100	432,821
19	Other cash inflows	2,409	2,409
20	Total Cash Inflows	454,509	435,229
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		1,361,823
22	TOTAL NET CASH OUTFLOWS		467,739
23	LIQUIDITY COVERAGE RATIO (%)		291.2%

1. Includes the deposits of retail and small business customers of the Bank's overseas branches.

Results Analysis and Main Drivers:

BBK has consistently maintained a robust portfolio of High Quality Liquid Assets (HQLAs) and diversified funding sources to honor all its obligations on a timely basis. During the third quarter of 2019, the average HQLAs amounted to BD 1,361.8 million. BBK's HQLAs portfolio consists primarily of "Level 1" assets, which represent the highest quality HQLAs, and consists of cash and balances with central banks in jurisdictions where BBK operates, as well as sovereign debt securities in domestic and foreign currencies. In addition, BBK's HQLAs portfolio includes "Level 2" assets which mainly comprises of investment grade corporate bonds.

Cash outflows generally represents demands for liquidity, and payment of contractual funding obligations. During the third quarter of 2019, the cash outflows were mainly driven by unsecured wholesale funding and interbank borrowings, which accounted for 82.1% of total weighted cash outflows.

The cash inflows mainly represent interest and principal repayment of fully performing money market placements, loans and non-HQLA investment securities funded by BBK. Cash inflows are capped at 75% of total cash outflows.