

**BBK B.S.C**  
**Liquidity Disclosures - Basel III**  
**31st December 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 31st December 2019:

BD'000

<b>Consolidated LCR</b>		<b>Total Unweighted Value (average)</b>	<b>Total Weighted Value (average)</b>
<b>HIGH-QUALITY LIQUID ASSETS</b>			
1	Total HQLA		1,329,985
<b>CASH OUTFLOWS</b>			
2	<b>Retail deposits and deposits from small business customers, of which:</b>		
3	Stable deposits	394,471	11,834
4	Less stable deposits <sup>(1)</sup>	545,466	56,778
5	<b>Unsecured wholesale funding, of which:</b>		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0
7	Non-operational deposits (all counterparties)	778,999	553,401
8	Unsecured debt	1,267	1,267
9	Secured wholesale funding		806
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	61	61
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	555,484	65,691
14	<b>Other contractual funding obligations</b>	8,823	8,823
15	<b>Other contingent funding obligations</b>	355,024	17,751
16	<b>Total Cash Outflows</b>		<b>716,411</b>
<b>CASH INFLOWS</b>			
17	Secured lending (eg reverse repos)	0	0
18	Inflows from fully performing exposures	340,375	320,670
19	Other cash inflows	2,398	2,398
20	<b>Total Cash Inflows</b>	<b>342,774</b>	<b>323,068</b>
			<b>TOTAL ADJUSTED VALUE</b>
21	<b>TOTAL HQLA</b>		<b>1,329,985</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>		<b>393,343</b>
23	<b>LIQUIDITY COVERAGE RATIO (%) <sup>(2)</sup></b>		<b>361.1%</b>

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

2. As per CBB LM Module, the consolidated LCR of 361.1% reported above in line 23 is the simple average of daily LCR during Q4 2019.

**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 fourth quarter of 2019, the average HQLAs amounted to BD 1,330.0 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 fourth quarter of 2019, the cash outflows were mainly driven by unsecured wholesale funding and interbank borrowings, which accounted for 77.4% 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.

## Introduction:

The CBB's Net Stable Funding Ratio (NSFR) regulations became effective on 31st December 2019. The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR requires banks to maintain a stable funding profile in relation to assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood of disruptions to a bank's regular sources of funding that 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. The NSFR must be equal to at least 100% on an ongoing basis.

The below table provides information on BBK's Consolidated NSFR as of 31st December 2019:

BD'000

No.	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
<b>Available Stable Funding (ASF):</b>						
1	Capital:					
2	Regulatory Capital	540,665	0	0	28,531	569,196
3	Other Capital Instruments	0	0	0	0	0
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		415,785	6,492	225	401,388
6	Less stable deposits		640,469	96,580	48,423	711,766
7	Wholesale funding:					
8	Operational deposits		0	0	0	0
9	Other wholesale funding		1,303,497	306,919	360,690	862,183
10	Other liabilities:					
11	NSFR derivative liabilities		30,394			
12	All other liabilities not included in the above categories		137,546			0
13	<b>Total ASF</b>					<b>2,544,533</b>
<b>Required Stable Funding (RSF):</b>						
14	Total NSFR high-quality liquid assets (HQLA)					268,208
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		0	0	0	0
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		345,005	61,030	111,423	193,688
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:		405,705	100,989	826,471	955,847
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines		2,424	5,209	89,909	62,257
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		4,886	49,463	202,976	219,243
24	Other assets:					
25	Physical traded commodities, including gold	0				0
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	0	0
27	NSFR derivative assets		0	0	0	0
28	NSFR derivative liabilities before deduction of variation margin posted		6,221	0	0	6,221
29	All other assets not included in the above categories	228,893	0	0	0	228,893
30	OBS items		869,437	0	0	43,472
31	<b>Total RSF</b>					<b>1,977,830</b>
32	<b>NSFR (%)</b>					<b>128.7%</b>

## Results Analysis and Main Drivers:

BBK's NSFR was at a very comfortable level as of 31st December 2019. The Available Stable Funding (ASF) stood at BD 2,544.5 million compared to the Required Stable Funding (RSF) of BD 1,977.8 million, resulting in NSFR of 128.7%.

The main drivers behind our robust ASF are the solid capital base, sizable Retail and Small business deposits portfolio, large portfolio of non-financial institutions deposits (related to Government and Corporate deposits), as well as medium term funding from Repo and Euro Medium Term Notes (EMTN). The capital base formed 22.4% of our ASF, while the Retail and Small business deposits formed 43.7% of the ASF (after applying the relevant weights).

For the RSF, the primary reason for the relatively low RSF, in comparison to the ASF, is related to the sizeable portfolio of BBK's HQLAs which accounts for almost a quarter of total RSF (before applying the relevant weights).