BBK B.S.C
Liquidity Disclosures - Basel III
31st March 2024

Introduction:

In August 2018, the Central Bank of Bahrain (CBB) issued its regulations on Liquidity Risk Management (LM). Amongst other things, the LM regulations mandated 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 March 2024:

BD' million

Consolidated LCR		**Total Unweighted Value (average)**	**Total Weighted Value (average)**
HIGH-QUALITY LIQUID ASSETS			
1	Total HQLA		1,349.9
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits	451.6	13.5
4	Less stable deposits (1)	573.9	59.2
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	750.3	487.6
8	Unsecured debt	0.5	0.5
9	Secured wholesale funding		5.2
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	0.0	0.0
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	649.4	82.1
14	**Other contractual funding obligations**	28.0	28.0
15	**Other contingent funding obligations**	359.9	18.0
16	**Total Cash Outflows**		**694.0**
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	2.7	0.0
18	Inflows from fully performing exposures	289.0	275.3
19	Other cash inflows	4.8	4.8
20	**Total Cash Inflows**	**296.6**	**280.1**
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		**1,349.9**
22	**TOTAL NET CASH OUTFLOWS**		**413.9**
23	**LIQUIDITY COVERAGE RATIO (%)** (2)		**335.4%**

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 335.4% reported above in line 23 is the simple average of daily LCR during Q1 2024. Daily average of LCR in Q4 2023 was 303.4%.

Results Analysis and Main Drivers:

BBK has consistently maintained a robust portfolio of HQLAs and diversified funding sources to honor all its obligations on a timely basis. During the first quarter of 2024, the average HQLAs amounted to BD 1,349.9 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 first quarter of 2024, the cash outflows were mainly driven by non-operational deposits (all counterparties) which accounted for 70.3% 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 profile 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 stable funding structure is intended to reduce the likelihood of disruptions to a bank's regular sources of funding that erodes the 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 March 2024:

BD' million

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	
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	610.1	0.0	0.0	25.5	635.6
3	Other Capital Instruments	0.0	0.0	0.0	0.0	0.0
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		474.3	11.4	0.8	462.3
6	Less stable deposits		732.9	154.9	32.4	831.5
7	Wholesale funding:					
8	Operational deposits		0.0	0.0	0.0	0.0
9	Other wholesale funding		1,285.2	230.9	414.9	864.9
10	Other liabilities:					
11	NSFR derivative liabilities		0.0			
12	All other liabilities not included in the above categories		164.4			0.0
13	**Total ASF**					2,794.3
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					312.4
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	0.0	0.0
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		314.5	14.4	49.1	103.4
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:		349.0	86.9	799.1	897.2
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines		25.1	15.4	232.3	171.2
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		2.1	36.1	211.9	220.8
24	Other assets:					
25	Physical traded commodities, including gold	0.0				0.0
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0.0	0.0	0.0	0.0
27	NSFR derivative assets		48.7	0.0	0.0	48.7
28	NSFR derivative liabilities before deduction of variation margin posted		0.0	0.0	0.0	0.0
29	All other assets not included in the above categories	251.2	0.0	0.0	0.0	251.2
30	OBS items		990.5	0.0	0.0	49.5
31	**Total RSF**					2,054.4
32	**NSFR (%)**					136.0%

Results Analysis and Main Drivers:

BBK's NSFR remained at a very comfortable level during the quarter ended 31st March 2024. The Available Stable Funding (ASF) stood at BD 2,794.3 million compared to the Required Stable Funding (RSF) of BD 2,054.4 million, resulting in a NSFR of 136.0% as of 31st March 2024.

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 Borrowings under repurchase agreement, and Term borrowings. The capital base formed 22.7% of our ASF, while the Retail and Small business deposits formed 46.3% 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 27.8% of total RSF (before applying the relevant weights).

In comparison to year-end December 2023 (NSFR of 137.6%), the NSFR ratio decreased slightly by 1.6%. The ASF increased by BD 64.7MM mainly due to higher Customer Deposits. On the other hand, the RSF's increase was relateively higher by BD 71.3MM mainly due to increase in the weighted values of Encumbered Assets due to rollover of Repos, and increase in Other Assets.