



## **Liquidity Ratios Disclosure**

**As at 31 March 2021**



## **Executive Summary**

The purpose of the disclosure is to enable market participants to compare the liquidity of banks across jurisdictions and to improve consistency and ease of use of disclosures relating to liquidity ratios.

In August 2018, the Central Bank of Bahrain issued its regulations on Liquidity Risk Management (Module LM). The module mandates that banks must adequately manage their assets and liabilities to create strong short-term resilience to be able to sufficiently meet the Bank's net cash outflows within 30 days (LCR), and promoting banks to rely on funding from stable sources and long-term borrowing in order to reduce the risks of disruptions which might impact the bank's liquidity position (NSFR).

The format and the level of disclosure in the attached report is dictated by the Central Bank of Bahrain (CBB) and reflects a proforma issued by the Central Bank.

## Consolidated Liquidity Coverage Ratio as of 31 March 2021

In August 2018, the Central Bank of Bahrain issued its regulations on Liquidity Risk Management (Module LM). The module mandates that banks must adequately manage their assets and liabilities to create strong short-term resilience and a sufficient ability to meet the bank's net cash outflows within 30 days.

As per CBB Module LM, banks are required to meet the minimum LCR of at least 100% on a daily basis. This ratio was relaxed to 80% due to the pressures within the banking sector following the COVID pandemic, However, NBB Group still seeks to maintain the original higher 100% requirement. Below is National Bank of Bahrain's consolidated LCR disclosure as of 31 March 2021:

Consolidated LCR		Total unweighted value (average) <sup>1</sup>	Total weighted value (average) <sup>1</sup>
<i>BD '000</i>			
<b>High-Quality Liquid Assets</b>			
1	Total HQLA		1,513,368
<b>Cash Outflows</b>			
2	<b>Retail deposits and deposits from small business customers, of which:</b>		
3	Stable deposits	284,947	8,548
4	Less stable deposits <sup>2</sup>	1,394,608	139,461
5	<b>Unsecured wholesale funding, of which:</b>		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	1,016,192	524,829
8	Unsecured debt	-	-
9	<b>Secured wholesale funding</b>		1,759
10	<b>Additional requirements, of which:</b>		
11	Outflows related to derivative exposures and other collateral requirements	161	161
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	238,426	27,387
14	<b>Other contractual funding obligations</b>	-	-
15	<b>Other contingent funding obligations</b>	649,782	32,489
16	Total cash outflows		734,634
<b>Cash Inflows</b>			
17	Secured lending (eg reverse repos)	15,115	2,125
18	Inflows from fully performing exposures	366,307	261,037
19	Other cash inflows	10,230	10,230
20	Total cash inflows	391,652	273,392
			<b>Total adjusted value</b>
21	<b>Total HQLA</b>		1,513,368
22	<b>Total net cash outflows <sup>1</sup></b>		458,470
23	<b>Liquidity coverage ratio (%) <sup>1</sup></b>		330%

1. Figures based on simple daily average of working days during the quarter, as per CBB Module LM.

2. Includes retail and SME deposits from the bank's overseas branches.

## Consolidated Net Stable Funding Ratio as of 31 March 2021

In August 2018, the Central Bank of Bahrain issued its regulations on Liquidity Risk Management (Module LM). The main objective of the NSFR is to promote the resilience of the banking system by improving the funding profile of banks by ensuring they have sufficient level of stable funding in relation to their assets and commitments. The NSFR thus promotes banks to rely on funding from stable sources and long-term borrowing in order to reduce the risks of disruptions which might impact the bank's liquidity position.

As per CBB Module LM, banks are required to meet the minimum NSFR of at least 100% on a continuous basis. This ratio was relaxed to 80% due to the pressures within the banking sector following the COVID pandemic, However, NBB Group still seeks to maintain the original higher 100% requirement.

The main drivers behind the Group's strong available stable funding (ASF) are the healthy capital base (18% of the Group's ASF), large deposits portfolio with strong contributions from the retail and small business sectors (68% of the Group's ASF) and the sizable corporate and sovereign deposits (13% of the Group's ASF). The majority of the Group's investment security portfolio is classified as high-quality liquid assets (HQLA). The Group's HQLA securities accounted for 21% of the Group's RSF before applying the relevant weights. Lending provided to financial institutions in the form of loans or placements was predominantly short-term in nature, which required a lower level of required funding.

Further details on the calculation of NSFR is presented in the following table:

BD '000

No.	Item	Unweighted Values (before applying 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	<b>Capital:</b>					
2	Regulatory Capital	536,969	-	-	23,468	560,437
3	Other Capital Instruments	-	-	-	-	-
4	<b>Retail Deposits and deposits from small business customers:</b>					
5	Stable deposits	-	586,476	7,913	4,177	568,846
6	Less stable deposits:	-	1,596,775	138,697	40,745	1,602,669
7	<b>Wholesale funding:</b>					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	1,162,814	200,191	3,539	443,498
10	<b>Other liabilities:</b>					
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	138,636	-	7,786	7,786
13	<b>Total ASF</b>					<b>3,183,236</b>
<b>Required Stable Funding (RSF):</b>						
14	<b>Total NSFR high-quality liquid assets (HQLA)</b>					<b>70,591</b>
15	<b>Deposits held at other financial institutions for operational purposes</b>					<b>-</b>
16	<b>Performing loans and securities:</b>					
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	-	179,660	20,281	44,391	81,481
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:	-	306,021	198,902	1,433,931	1,471,303
20	-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	139,788	90,862
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	-	3,797	69,571	42,296	74,951
24	<b>Other Assets:</b>					
25	Physical traded commodities, including gold	38	-	-	-	33
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR derivative assets	-	-	-	-	-
28	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	881
29	All other assets not included in the above categories	315,069	-	-	-	315,069
30	<b>OBS items</b>					<b>46,677</b>
31	<b>Total RSF</b>					<b>2,151,846</b>
32	<b>NSFR %</b>					<b>148%</b>