



Liquidity Ratios Disclosure

As at 30 September 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 30 September 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 30 September 2021:

Consolidated LCR		Total unweighted value (average) ¹	Total weighted value (average) ¹
<i>BD '000</i>			
High-Quality Liquid Assets			
1	Total HQLA		1,434,489
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	288,132	8,644
4	Less stable deposits ²	1,330,742	133,074
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	1,119,712	607,069
8	Unsecured debt	-	-
9	Secured wholesale funding		1,451
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	108	108
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	265,958	31,383
14	Other contractual funding obligations	2,227	1,222
15	Other contingent funding obligations	677,309	33,865
16	Total cash outflows		816,817
Cash Inflows			
17	Secured lending (eg reverse repos)	9,613	1,729
18	Inflows from fully performing exposures	436,049	362,424
19	Other cash inflows	11,450	11,450
20	Total cash inflows	457,112	375,603
			Total adjusted value
21	Total HQLA		1,434,489
22	Total net cash outflows ¹		434,437
23	Liquidity coverage ratio (%) ¹		344%

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 30 September 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 (66% of the Group's ASF) and the sizable corporate and sovereign deposits (16% 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 30% of the Group's required stable funding (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, with 90% of total lending provided to financial institutions being in the 0-6 months maturity bucket.

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	
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	554,957	-	-	24,603	579,560
3	Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and deposits from small business customers:					
5	Stable deposits	-	593,499	8,432	2,350	574,185
6	Less stable deposits:	-	1,528,295	209,525	27,707	1,591,745
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	1,382,086	161,870	7,386	505,507
10	Other liabilities:					
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	99,804	-	7,049	7,049
13	Total ASF					3,258,045
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					76,737
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	-	431,973	5,575	39,934	107,517
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:	-	345,488	83,033	1,491,364	1,481,920
20	-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	153,045	99,480
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	-	-	-	43,610	28,346
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	1,904	37,578	36,814	52,566
24	Other Assets:					
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	-	1,611	-	-	1,611
28	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	316,905	-	-	-	316,905
30	OBS items					54,228
31	Total RSF					2,219,342
32	NSFR %					147%