



## **Liquidity Ratios Disclosure**

**As at 30 June 2022**



## **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 June 2022

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 June 2022:

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		1,594,747
<b>Cash Outflows</b>			
2	<b>Retail deposits and deposits from small business customers, of which:</b>		
3	Stable deposits	292,719	8,782
4	Less stable deposits <sup>2</sup>	1,371,079	137,108
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)	1,177,779	661,903
8	Unsecured debt	40	40
9	<b>Secured wholesale funding</b>		18,853
10	<b>Additional requirements, of which:</b>		
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	263,235	31,041
14	<b>Other contractual funding obligations</b>	66	66
15	<b>Other contingent funding obligations</b>	726,481	36,324
16	Total cash outflows		894,117
<b>Cash Inflows</b>			
17	Secured lending (eg reverse repos)	34,640	19,186
18	Inflows from fully performing exposures	428,273	324,924
19	Other cash inflows	25,469	25,469
20	Total cash inflows	488,382	369,578
			<b>Total adjusted value</b>
21	<b>Total HQLA</b>		1,594,747
22	<b>Total net cash outflows <sup>1</sup></b>		478,578
23	<b>Liquidity coverage ratio (%) <sup>1</sup></b>		291%

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 June 2022

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 (15% 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 96% 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:

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	
<i>BD '000</i>						
<b>Available Stable Funding (ASF):</b>						
<b>1</b>	<b>Capital:</b>					
2	Regulatory Capital	566,127	-	-	26,861	592,988
<b>3</b>	<b>Retail Deposits and deposits from small business customers:</b>					
4	Stable deposits	-	604,470	7,915	1,462	583,227
5	Less stable deposits:	-	1,597,470	145,591	22,269	1,591,024
<b>6</b>	<b>Wholesale funding:</b>					
7	Other wholesale funding	-	1,570,560	174,799	42,738	494,446
<b>8</b>	<b>Other liabilities:</b>					
9	All other liabilities not included in the above categories	-	96,312	-	9,137	9,137
<b>10</b>	<b>Total ASF</b>					<b>3,270,822</b>
<b>Required Stable Funding (RSF):</b>						
<b>11</b>	<b>Total NSFR high-quality liquid assets (HQLA)</b>					<b>80,815</b>
<b>12</b>	<b>Performing loans and securities:</b>					
13	Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	434,289	568	17,396	82,823
14	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	534,357	108,292	1,599,098	1,680,558
15	-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	63,052	40,984
16	Performing residential mortgages, of which:	-	-	-	-	-
17	-With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	63,248	41,111
18	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	67,748	43,520	73,475
<b>19</b>	<b>Other Assets:</b>					
20	Physical traded commodities, including gold	38				32
21	NSFR derivative assets		485	-	-	485
22	NSFR derivative liabilities before deduction of variation margin posted		983	-	-	983
23	All other assets not included in the above categories	326,297	-	-	-	326,297
<b>24</b>	<b>OBS items</b>					<b>50,168</b>
<b>25</b>	<b>Total RSF</b>					<b>2,377,698</b>
<b>26</b>	<b>NSFR %</b>					<b>138%</b>