

# **Eskan Bank B.S.C (c)**

**Liquidity Disclosures - Basel III**

**30-Jun-23**

**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 Eskan Bank Consolidated LCR for the quarter ended 30 June 2023

Licensee Name: Eskan Bank

Period ended (30/06/23):

		BD '000/ US '\$'000	
Consolidated LCR		Total Unweighted Value (average)	Total Weighted Value (average)
<b>HIGH-QUALITY LIQUID ASSETS</b>			
<b>1</b>	<b>Total HQLA</b>		<b>57,663</b>
<b>CASH OUTFLOWS</b>			
<b>2</b>	<b>Retail Deposits</b>		
3	Stable deposits		-
4	Less stable – retail deposits*	9,492	949.22
<b>5</b>	<b>Unsecured Wholesale Funding, of which:</b>		
	<b>1) Small business customer deposits:</b>		
	Less stable deposits	233	23
	<b>2) Operational deposits generated by clearing, custody, and cash management:</b>	-	-
	<b>3) Deposits from non-financial institutions, sovereign, central banks, multilateral development banks, PSEs, and Bahrain’s Social Insurance Organization and GCC PIFs where PIF is a controller of the bank.</b>	12,977	5,191
<b>6</b>	<b>Deposits from Financial Institutions and other legal entity corporations.</b>	2,811	2,811
<b>7</b>	<b>Secured Funding</b>		
<b>8</b>	<b>Other Cash Outflow</b>		
9	Credit and liquidity facilities given by bank to retail and small business customers	48,409	2,420.47
10	Other contractual cash outflows	5,746	5,745.73
<b>11</b>	<b>Total Cash Outflow</b>		<b>17,054</b>
<b>CASH INFLOWS</b>			
<b>12</b>	<b>Secured lending</b>		
<b>13</b>	<b>Other inflows by</b>		
14	Retail and small business customer	4,266	2,133
15	Financial institutions and central banks	399	399
16	Other contractual cash inflows	-	-
<b>17</b>	<b>Total Cash Inflows</b>		<b>2,532</b>
		<b>TOTAL ADJUSTED VALUE</b>	
<b>18</b>	<b>TOTAL HQLA</b>		<b>57,663</b>
<b>19</b>	<b>TOTAL NET CASH OUTFLOW</b>		<b>14,522</b>
<b>20</b>	<b>LIQUIDITY COVERAGE RATIO (LCR)</b>		<b>397%</b>

\*As per CBB LM Module, the consolidated LCR of 397% reported above in line 20 is the simple average of daily LCR during Q2 2023.

**Results Analysis and Main Drivers:**

Eskan Bank 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 Second quarter of 2023, the average HQLAs amounted to BD 58 million. Eskan Bank’s HQLAs portfolio consists primarily of “Level 1” assets, which represent the highest quality HQLAs, and consists of cash and balances with the Central Bank of Bahrain.

**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 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 is calculated in accordance with the Liquidity Risk Management module guidelines issued by CBB. The minimum NSFR ratio is 100%.

The below table provides information on Eskan Bank Consolidated NSFR as of 30 June 2023:

Level: Local / Bank-wide / Consolidated		BHD '000				BHD '000
Sr.	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>					
(a)	Common equity tier 1	419,782	-	-	-	419,782
(b)	Additional tier 1 capital	-	-	-	-	-
(c)	Tier 2 Capital	-	-	-	2,208	2,208
2	<b>Stable Deposits:</b>					
3	<b>Less stable deposits:</b>					
(a)	Demand deposits and saving deposits that are not fully-insured and provided by retail customers	-	8,686	-	-	7,818
(b)	Demand deposits and saving deposits that are not fully-insured and provided by small business customers	-	585	-	-	527
4	<b>Secured and unsecured funding:</b>					
(d)	<b>Other deposits and funding from:</b>					
	1. Central Banks	-	-	-	-	-
	2. Financial Institutions	-	10,000	-	75,000	75,000
	3. Other	-	14,470	-	-	-
5	<b>Other liabilities (not included in the categories above):</b>					
(c)	Other liabilities and equity not included in the above categories	-	38,868	-	469,582	469,582
6	<b>Total ASF</b>					974,917
<b>Required Stable Funding (RSF)</b>						
7	<b>Coins and banknotes</b>	214	-	-	-	-
8	<b>All claims on central banks</b>	-	52,567	-	-	-
9	<b>Unencumbered Level 1 HQLA</b>					
(a)	<b>Marketable securities that are unencumbered (or encumbered for a period of less than 6 months) representing claims on or guaranteed by:</b>					
	1. Government of Bahrain or the Central Bank of Bahrain	560	-	-	-	28
10	<b>Loans:</b>					
(a)	Unencumbered Loans to non-financial corporate clients	-	-	-	-	-
(b)	Unencumbered Loans to retail and small business customers, and loans to sovereigns and PSEs	-	18,018	18,574	-	18,296
(c)	Unencumbered residential mortgages with a risk weight of less than or equal to 35%	-	-	-	822,041	534,327
(d)	Other unencumbered loans and deposits with a risk weight of less than or equal to 35%	-	-	-	-	-
(e)	Other unencumbered performing loans and not included in the above categories, excluding loans to financial institutions, with a risk weight of than or equal to 35%	-	-	-	3,348	2,846
(f)	Unencumbered loans to and deposits with financial institutions.	-	350	-	-	53
11	<b>Unlisted investments not included in the above categories</b>					
(a)	Investment in Subsidiaries	18,869	-	-	-	18,869
(b)	Investment in Associates	4,020	-	-	-	4,020
(c)	Other unlisted investments	2,878	-	-	-	2,878
12	<b>Listed investments not included in the above categories</b>					
13	<b>Non-performing loans</b>	16,550	-	-	-	16,550
14	<b>All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities.</b>	97,406	-	-	-	97,406
<b>Off-Balance Sheet exposures</b>						
30	<b>Irrevocable and conditionally revocable credit and liquidity facilities</b>					-
31	<b>Unconditionally revocable credit and liquidity facilities</b>					-
32	<b>Trade finance-related obligations (including guarantees and letters of credit)</b>					-
15	<b>Guarantees and letters of credit unrelated to trade finance obligations</b>					-
16	<b>All other off-balance sheet exposures not included above</b>	58,675	-	-	-	2,934
17	<b>Total RSF</b>					698,206
18	<b>NSFR(6/17)</b>					140%

**Results Analysis and Main Drivers:**

Eskan Bank NSFR was at a very comfortable level during the quarter ended 30 June 2023. As end of June 2023, the Available Stable Funding (ASF) stood at BD 975 million compared to the Required Stable Funding (RSF) of BD 698 million, resulting in a NSFR of 140%. The main drivers behind the Eskan bank strong available stable funding (ASF) are the healthy capital base (40% of the Bank ASF), stable Government account balances and long term borrowing (60% of the Bank ASF). The NSFR ratio of 140% at 30 June 2023 Decreased from 142% at 31 December 2022, due to an increase in RSF due to growth of the loans portfolio.