

Eskan Bank B.S.C (c)

Liquidity Disclosures - Basel III

31-Mar-21

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 31 March 2021

Licensee Name: Eskan Bank

Period ended (31/03/2021):

BD '000/ US \$'000

Consolidated LCR		Total Unweighted Value (average)	Total Weighted Value (average)
HIGH-QUALITY LIQUID ASSETS			
1	Total HQLA		23,718
CASH OUTFLOWS			
2	Retail Deposits		
3	Stable deposits		-
4	Less stable – retail deposits*	2,984	298
5	Unsecured Wholesale Funding, of which:		
	1) Small business customer deposits:		
	Less stable deposits	56	6
	Term deposits with remaining maturity over 30 days		-
6	Deposits from Financial Institutions and other legal entity corporations.	2,214	2,214
7	Secured Funding		
8	Other Cash Outflow		
9	Credit and liquidity facilities given by bank to retail and small business customers	13,899	695
10	Other contractual cash outflows	5,079	5,079
11	Total Cash Outflow		8,293
CASH INFLOWS			
12	Secured lending		
13	Other inflows by		
14	Retail and small business customer	3,763	1,881
15	Financial institutions and central banks	802	802
16	Other contractual cash inflows	-	-
17	Total Cash Inflows		2,683
			TOTAL ADJUSTED VALUE
18	TOTAL HQLA		23,718
19	TOTAL NET CASH OUTFLOW		5,609
20	LIQUIDITY COVERAGE RATIO (LCR)		466%

*As part of COVID 19 stimulus measures, the LCR limit was reduced by the CBB from 100% to 80% for nine months, starting March 2020.

*As per CBB LM Module, the consolidated LCR of 467% reported above in line 20 is the simple average of daily LCR during Q1 2021.

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 first quarter of 2021, the average HQLAs amounted to BD 23.7 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 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 must be equal to at least 100% on an ongoing basis*.

The below table provides information on Eskan Bank Consolidated NSFR as of 31 March 2021:

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	
Available Stable Funding (ASF)						
1	Capital:					
(a)	Common equity tier 1	331,810				331,810
(b)	Additional tier 1 capital					-
(c)	Tier 2 Capital				1,708	1,708
2	Stable Deposits:					
3	Less stable deposits:					-
(a)	Demand deposits and saving deposits that are not fully-insured and provided by retail customers		2,272			2,045
(b)	Demand deposits and saving deposits that are not fully-insured and provided by small business customers		59			54
4	Secured and unsecured funding:					
(d)	Other deposits and funding from:					
	1. Central Banks					-
	2. Financial Institutions		10,000	-	45,000	45,000
	3. Other					-
5	Other liabilities (not included in the categories above):					
(c)	Other liabilities and equity not included in the above categories		8,890	10,000	448,061	448,061
6	Total ASF					828,678
Required Stable Funding (RSF)						
7	Coins and banknotes	108				-
8	All claims on central banks		27,592			-
9	Unencumbered Level 1 HQLA					-
(a)	Marketable securities that are unencumbered (or encumbered for a period of less than 6 months) representing claims on or guaranteed by:					-
	1. Government of Bahrain or the Central Bank of Bahrain	1,618				81
10	Loans:					
(a)	Unencumbered Loans to non-financial corporate clients					-
(b)	Unencumbered Loans to retail and small business customers, and loans to sovereigns and PSEs		14,584	14,849		14,717
(c)	Unencumbered residential mortgages with a risk weight of less than or equal to 35%				686,366	446,138
(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%				4,983	4,236
(f)	Unencumbered loans to and deposits with financial institutions		3,657			549
11	Unlisted investments not included in the above categories					
(a)	Investment in Subsidiaries	8,401				8,401
(b)	Investment in Associates	4,295				4,295
(c)	Other unlisted investments	3,552				3,552
12	Listed investments not included in the above categories					-
13	Non-performing loans	31,879				31,879
14	All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities.	65,979				65,979
Off-Balance Sheet exposures						
15	Guarantees and letters of credit unrelated to trade finance obligations	13,628				681
16	All other off-balance sheet exposures not included above					-
17	Total RSF					580,506
18	NSFR(6/17)					143%

*As part of COVID 19 stimulus measures, the NSFR limit was reduced by the CBB from 100% to 80% for nine months, starting March 2020

Results Analysis and Main Drivers:

Eskan Bank NSFR was at a very comfortable level during the quarter ended 31 March 2021. As end of March 2021, the Available Stable Funding (ASF) stood at BD 828 million compared to the Required Stable Funding (RSF) of BD 580.5 million, resulting in an NSFR of 143%.