

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

**Liquidity Disclosures - Basel III**

**30-Sep-20**

**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 30th Sep 2020

**Licensee Name: Eskan Bank**

**Period ended (30/09/20):**

BD '000/ US \$'000

<b>Consolidated LCR</b>		<b>Total Unweighted Value (average)</b>	<b>Total Weighted Value (average)</b>
<b>HIGH-QUALITY LIQUID ASSETS</b>			
<b>1</b>	<b>Total HQLA</b>		<b>17,485</b>
<b>CASH OUTFLOWS</b>			
<b>2</b>	<b>Retail Deposits</b>		
3	Stable deposits		-
4	Less stable – retail deposits*	2,390	239
<b>5</b>	<b>Unsecured Wholesale Funding, of which:</b>		
<b>6</b>	<b>Deposits from Financial Institutions and other legal entity corporations.</b>	2,700	2,700
<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	3,592	180
10	Other contractual cash outflows	484	484
<b>11</b>	<b>Total Cash Outflow</b>		<b>3,603</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	59	30
15	Financial institutions and central banks	351	351
16	<b>Other contractual cash inflows</b>	34	34
<b>17</b>	<b>Total Cash Inflows</b>		<b>414</b>
			<b>TOTAL ADJUSTED VALUE</b>
<b>18</b>	<b>TOTAL HQLA</b>		<b>17,485</b>
<b>19</b>	<b>TOTAL NET CASH OUTFLOW</b>		<b>3,189</b>
<b>20</b>	<b>LIQUIDITY COVERAGE RATIO (LCR)</b>		<b>548%</b>

\*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 548% reported above in line 20 is the simple average of daily LCR during Q3 2020.

**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 third quarter of 2020, the average HQLAs amounted to BD 17.48 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 30th Sep 2020:

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>						
<b>1</b>	<b>Capital:</b>					
(a)	Common equity tier 1	317,342				317,342
(b)	Additional tier 1 capital					-
(c)	Tier 2 Capital				1,639	1,639
<b>2</b>	<b>Stable Deposits:</b>					
<b>3</b>	<b>Less stable deposits:</b>					
(a)	Demand deposits and saving deposits that are not fully-insured and provided by retail customers		2,066			1,860
(b)	Demand deposits and saving deposits that are not fully-insured and provided by small business customers		98			88
<b>4</b>	<b>Secured and unsecured funding:</b>					
(d)	<b>Other deposits and funding from:</b>					
	1. Central Banks					-
	2. Financial Institutions		10,000	-	35,000	35,000
	3. Other					-
<b>5</b>	<b>Other liabilities (not included in the categories above):</b>					
(c)	Other liabilities and equity not included in the above categories		10,643	29,220	473,615	473,615
<b>6</b>	<b>Total ASF</b>					<b>829,544</b>
<b>Required Stable Funding (RSF)</b>						
<b>7</b>	<b>Coins and banknotes</b>	105				-
<b>8</b>	<b>All claims on central banks</b>		18,092			-
<b>9</b>	<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	4,507				225
<b>10</b>	<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		247	251		249
(c)	Unencumbered residential mortgages with a risk weight of less than or equal to 35%				745,223	484,395
(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%				5,689	4,836
(f)	Unencumbered loans to and deposits with financial institutions		3,651			548
<b>11</b>	<b>Unlisted investments not included in the above categories</b>					
(a)	Investment in Subsidiaries	8,401				8,401
(b)	Investment in Associates	4,350				4,350
(c)	Other unlisted investments	3,786				3,786
<b>12</b>	<b>Listed investments not included in the above categories</b>					-
<b>13</b>	<b>Non-performing loans</b>	761				761
<b>14</b>	<b>All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities.</b>	83,526				83,526
<b>Off-Balance Sheet exposures</b>						
<b>15</b>	<b>Guarantees and letters of credit unrelated to trade finance obligations</b>	13,296				665
<b>16</b>	<b>All other off-balance sheet exposures not included above</b>					-
<b>17</b>	<b>Total RSF</b>					<b>591,742</b>
<b>18</b>	<b>NSFR(6/17)</b>					<b>140%</b>

\*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 30th Sep 2020. As end of Sep 2020, the Available Stable Funding (ASF) stood at BD 829 million compared to the Required Stable Funding (RSF) of BD 591.7 million, resulting in an NSFR of 140%.