

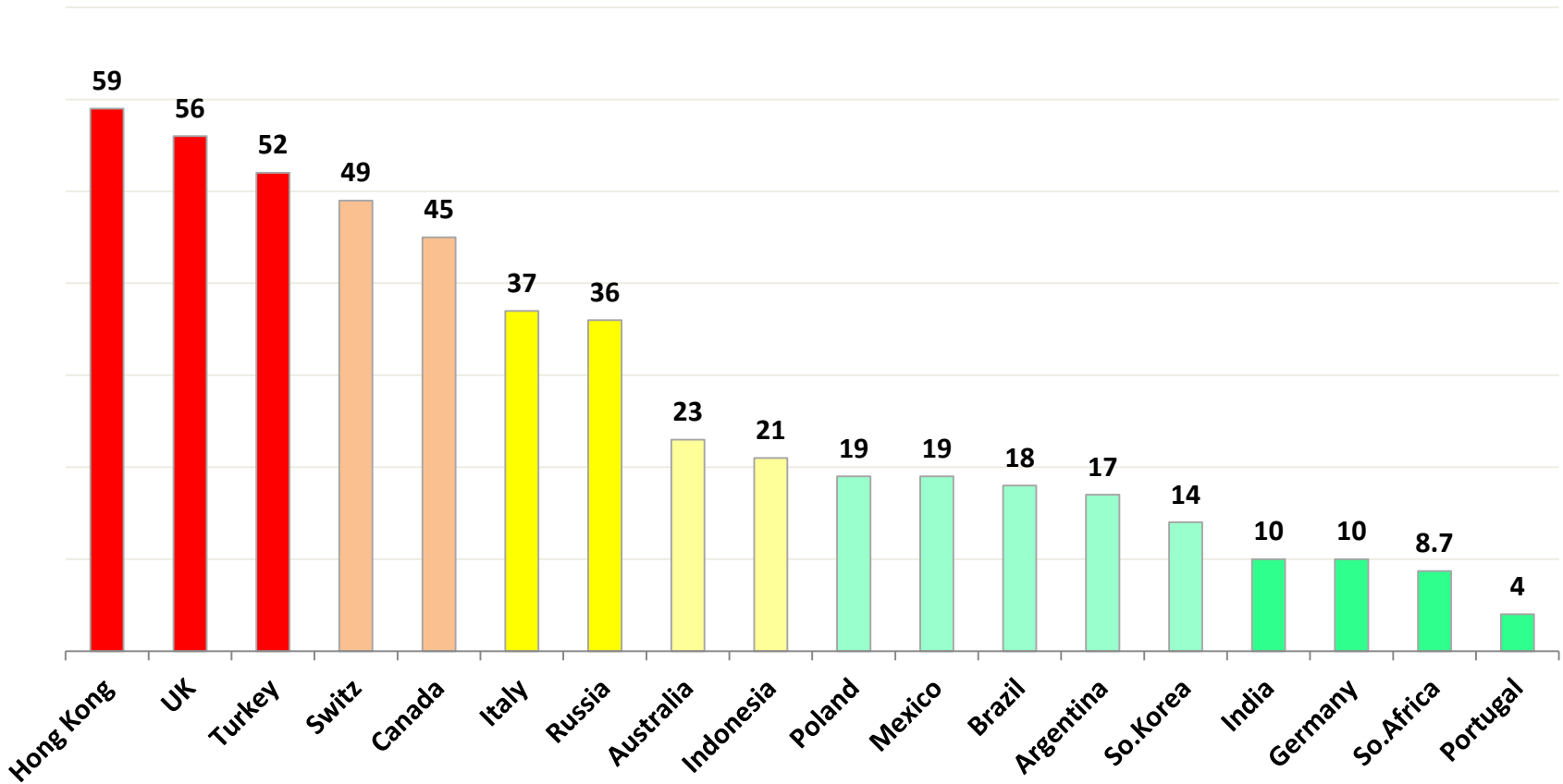
# **Bank Funding and Liquidity Risk**

Sovereign Analytics  
December 2016

# Bank Reliance on Foreign Funding

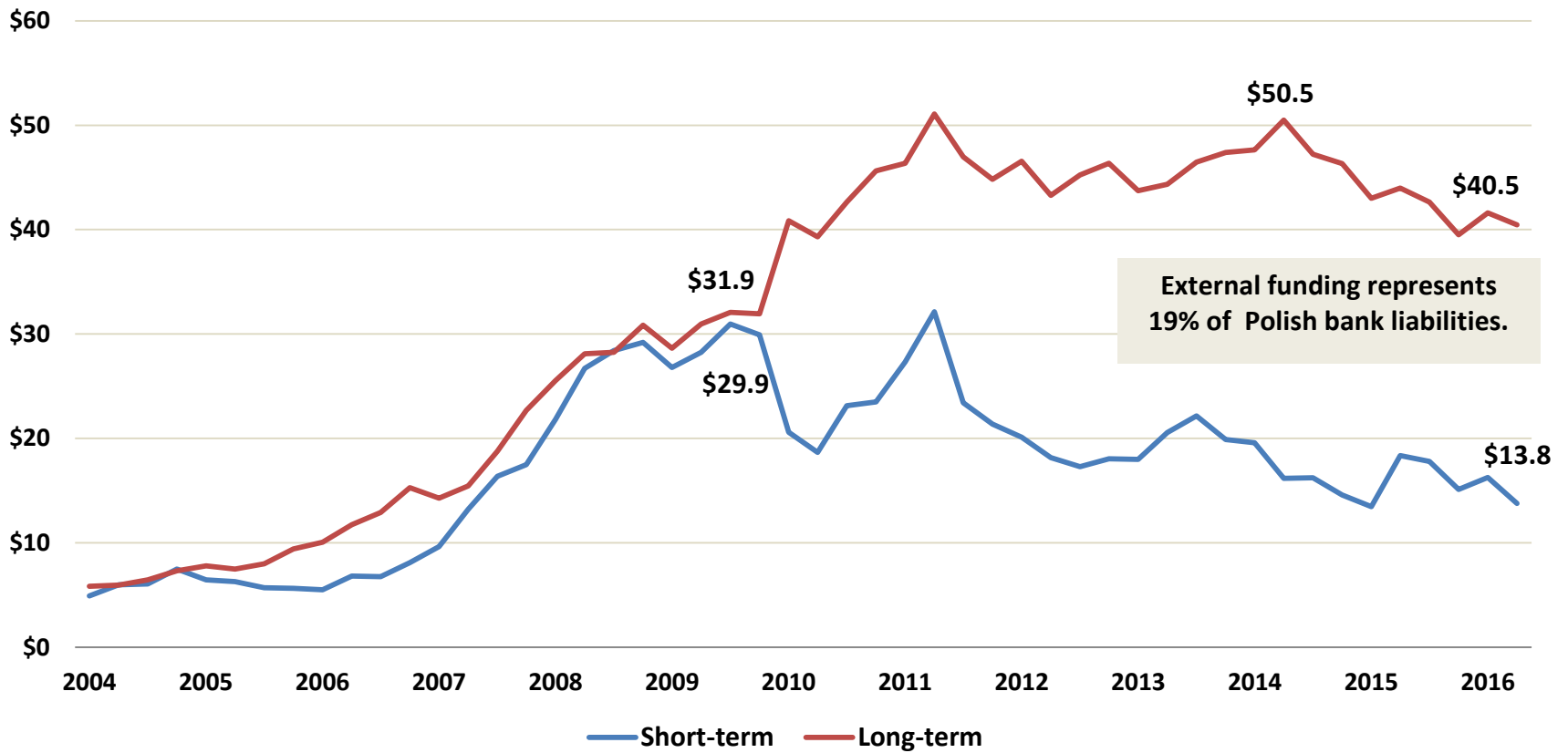
## Banking System FX Liabilities as % of Total Liabilities

December 2016



# Banks Shift Funding Sources in Wake of Crisis

## Polish Banks' External Funding (US\$ billion)



# Key Concerns in Banking System Funding

- Stable deposit base and high deposit to loan ratios.
  - Diversified sources of funding, including retail and corporate deposits, debt issuance, wholesale (interbank) funding, and reserves.
  - Limit dependence on volatile external sources of funding.
  - Quality assets eligible for central bank liquidity support.
  - Awareness of systemic or exogenous “shocks”.
- Currency mismatch between assets and liabilities.
  - Reliance on short-term funding, either in fx or local currency.
  - Size of maturing debt / bond redemptions and “roll-over risk”.
  - High frequency indicators:
    - inter-bank borrowing rates
    - bank bond yields
    - credit default swap spreads.