



AL SALAM BANK-BAHRAIN B.S.C.

Liquidity and Leverage Ratios

31 December 2019

Background:

ASBB has been subjected to the Basel III NSFR standards from December 2019, pursuant to CBB circular No. EDBS/KH/54/2018 dated 16th August 2018. At the all currency level, ASBB is required to maintain NSFR of at least 100% on an on-going basis.

The objective of NSFR is to improve the resiliency of banks by promoting long term funding stability. NSFR is designed to limit the risks emanating from excessive maturity mismatches over the medium to long term. More specifically, the NSFR requires ASBB to fund illiquid assets with a minimum amount of stable liabilities over a horizon of one year.

NSFR – minimum requirement of 100% requiring ASBB to hold a minimum amount of stable funding relative to the liquidity profile of asset activities over one-year horizon.

The NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. CBB circular stipulates the applicable Required Stable Funding (“RSF”) factor for each category of asset and Available Stable Funding (“ASF”) factor for each type of funding source.

ASBB seeks to ensure that its NSFR remains above the specified regulatory minimum requirements. This is achieved by:

- (i) Monitoring the NSFR closely against an established internal early warning trigger and management target.
- (ii) Managing and developing strategies to build a diversified funding base with access to funding sources across retail and wholesale channels.

Analysis and main drivers:

Al Salam Bank strategy is to maintain stable and well-diversified funding sources focusing on raising more stable free float and long-term deposits from core clientele base in Bahrain and across other key GCC markets where strong banking relationships have been successfully established. The main driver of this strategy is to fund bank’s core business activities with the widest deposit base and hence maintaining conformable funding mix for the long-term assets and subsequently healthy NSFR.

The Assets and Liabilities Committee (ALCO) regularly review the different liquidity indicators -including the NSFR- and set appropriate action plans in maintaining adequate, sustainable and healthy liquidity position. ALCO review takes Global economic indicators as well as local micro economic factors into consideration, hence effective liquidity management is set into practice steered by treasury and risk department and collaborated with other key business units.

As at 31 December 2019, the weighted value of the Available Stable Funding (ASF) stood at BD 1.237 billion, while the total weighted value of the Required Stable Funding (RSF) stood at BD 1.169 billion. The resultant NSFR stood at 105.82%.The ASF is primarily driven by a strong capital base, substantial retail and private banking deposit base and deposits from non-financial corporate customers.

Post application of the relevant factors, the contribution of capital base, retail deposits and deposits from non-financial corporates stood at 24%, 36% and 18% respectively. The bank does not rely on financial market funding sources (such as DCM) and interbank funding activities are primarily used for short term funding gaps.

The RSF post application of relevant factors is driven by financing provided to non-financial corporate customers, retail and small business customers, and some unlisted investments.

ASBB’s High-Quality Liquid Assets (HQLA) requires minimum funding due to its sovereign nature and high liquidity which after applying the relevant factors it makes up 1.16% of the RSF portfolio. Performing financing and Investments accounts for 66.56% and 17.04% of the RSF.

At ASBB there is considerable focus on growing and maintaining stability of demand and term deposits provided by private and retail customer, as well as deposits provided by corporate customers which will continue to form a significant part of the funding.

AL SALAM BANK-BAHRAIN B.S.C.
Net Stable Funding Ratio (NSFR) Report - Consolidated
31 December 2019

No.	Item	Unweighted Values (before applying relevant factors)				BHD '000
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	291,239	-	-	38,995	330,234
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	383,983	107,506	59,104	501,444
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	872,778	138,161	96,385	405,825
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	44,451	-	-	-
13	Total ASF					1,237,504
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					13,552
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/ securities:					
17	Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	221,009	3,161	5,918	40,650
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	177,553	134,751	714,111	732,316
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	154,150	100,197
21	Performing residential mortgages, of which:	-	-	-	8,305	5,398
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	8,305	5,398
23	Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	5,073	-	942	3,337
24	Other assets:					
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'a-compliant hedging assets	-	-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	284,141	9,282	-	80,342	369,124
30	OBS items	-	100,483	-	-	5,024
31	Total RSF					1,169,401
32	NSFR (%)					106%

AL SALAM BANK-BAHRAIN B.S.C.**Leverage Ratio - Consolidated****31 December 2019**

S.No.	Description	BHD '000
1	Total Self Financed Assets	1,935,690
2	Total URIA Financed Assets	102,476
3	Off Balance Sheet items - with relevent Credit Conversion Factors	47,911
4	Leverage ratio exposure [(1) + (2)*30% + (3)]	2,014,344
5	Regulatory Adjustments	25,971
6	Total exposures for the calculation of the leverage ratio [(4)-(5)]	1,988,373
7	Tier 1 Capital	265,267
	Leverage Ratio [(7)/(6)]	13%
	Minimum Leverage Ratio as required by CBB	3%

AL SALAM BANK-BAHRAIN B.S.C.
Liquidity Coverage Ratio (LCR) Report - Consolidated
31 December 2019

	Q4-2019		Q3-2019	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets				
1 Total HQLA		267,049		255,221
Cash outflows				
2 Retail deposits and deposits from small business customers, of which:				
3 Stable deposits	47,906	1,437	47,675	1,430
4 Less stable deposits	126,221	12,622	122,501	12,250
5 Unsecured wholesale funding, of which:				
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7 Non-operational deposits (all counterparties)	459,802	291,999	469,607	257,924
8 Unsecured sukuk	-	-	-	-
9 Secured wholesale funding		-		-
10 Additional requirements, of which:				
11 Outflows related to Shari'a-compliant hedging instruments exposures and other collateral requirements	-	-	-	-
12 Outflows related to loss of funding on financing products	-	-	-	-
13 Credit and liquidity facilities	10,292	3,086	17,274	5,151
14 Other contractual funding obligations	-	-	-	-
15 Other contingent funding obligations	71,573	3,910	78,459	4,175
16 Total Cash Outflows		313,054		280,930
Cash inflows				
17 Secured lending (e.g. reverse repos)	-	-	-	-
18 Inflows from fully performing exposures	37,193	19,470	33,791	17,502
19 Other cash inflows	176,518	171,741	155,972	154,980
20 Total Cash Inflows	213,711	191,211	189,763	172,482
		Total adjusted Value		Total adjusted Value
21 Total HQLA		267,049		255,221
22 Total net cash outflows		122,135		108,495
23 Liquidity Coverage Ratio (%)		230%		239%