

## AL SALAM BANK-BAHRAIN B.S.C.

**Liquidity and Leverage Ratios** 

**31 December 2019** 

Net Stable Funding Ratio (NSFR) Disclosure 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 Labilities 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 relay 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

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24 Other assets:  25 Physical traded commodities, including gold  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  NSFR Shari'a-compliant hedging contract liabilities before deduction of 28 variation margin posted  29 All other assets not included in the above categories  284,141  30 OBS items  100,483  5,024  1,169,401							
25 Physical traded commodities, including gold  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  NSFR Shari'a-compliant hedging contract liabilities before deduction of 28 variation margin posted  29 All other assets not included in the above categories  30 OBS items  31 Total RSF  1,169,401			-	5,073	-	942	3,337
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  NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted  28 All other assets not included in the above categories  30 OBS items  284,141  9,282  80,342  369,124  31 Total RSF  1,169,401	24	Other assets:					
26 contributions to default funds of CCPs       - </td <td>25</td> <td>,</td> <td>-</td> <td></td> <td></td> <td></td> <td></td>	25	,	-				
27 NSFR Shari'a-compliant hedging assets  NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted  28 All other assets not included in the above categories  30 OBS items  100,483							
NSFR Shari'a-compliant hedging contract liabilities before deduction of 28 variation margin posted				-	-	-	-
28 variation margin posted       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       369,124         30 OBS items       100,483       -       -       5,024         31 Total RSF       -       -       -       1,169,401	27	, , ,		-	-	-	-
30 OBS items 100,483 5,024 31 Total RSF 1,169,401		variation margin posted		-	-	-	_
31 Total RSF 1,169,401			284,141			80,342	369,124
				100,483		-	5,024
32 NSFR (%)	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	1 Total Self Financed Assets	
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	7 Tier 1 Capital	
	Leverage Ratio [(7)/(6)]	
	Minimum Leverage Ratio as required by CBB	

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

	Q4-2	Q4-2019		Q3-2019	
	Total	Total	Total	Total	
	unweighted	weighted	unweighted	weighted	
	value	value	value	value	
	(average)	(average)	(average)	(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	-	-	-	1	
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		Total adjusted	
		Value		Value	
21 Total HQLA		267,049		255,221	
22 Total net cash outflows		122,135		108,495	
23 Liquidity Coverage Ratio (%)		230%		239%	