



AL SALAM BANK B.S.C.

Liquidity and Leverage Ratios

31 March 2025

Background:

Al Salam Bank ("ASB") 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. ASB 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 ASB to fund illiquid assets with a minimum amount of stable liabilities over a horizon of one year.

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.

ASB 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 by focusing on raising more stable free float and long-term deposits from core customer 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 comfortable funding mix for the long-term assets and subsequently healthy NSFR.

The Assets and Liabilities Committee (ALCO) regularly reviews 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 March 2025, the weighted value of the Available Stable Funding (ASF) stood at BD 4.6 billion, while the total weighted value of the Required Stable Funding (RSF) stood at BD 3.7 billion. The resultant NSFR stood at 124.5%, well above the current 100% threshold stipulated by CBB. 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 regulatory capital, retail deposits and deposits from non-financial corporates stood at 13%, 63% and 12% respectively. The bank does not rely on financial market funding sources 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.

ASB's High-Quality Liquid Assets (HQLA) requires minimum funding due to its sovereign nature and high liquidity which, after applying the relevant factors, makes up 2% of the RSF portfolio. unencumbered financing and placements account for 68% and Investment exposures account for 14% of the RSF.

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

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Net Stable Funding Ratio (NSFR) Report - Consolidated
31 March 2025

						BHD '000
No.	Item	Unweighted Values (before applying relevant 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:					
2	Regulatory Capital	544,561	-	-	78,306	622,867
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	593,806	31,624	10,755	604,913
6	Less stable deposits	-	1,994,192	577,681	268,995	2,583,681
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	2,660,430	227,921	104,695	820,817
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	144,830	-	-	-
13	Total ASF					4,632,278
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					61,967
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	-	689,489	3,906	714	106,090
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:	-	1,202,416	636,508	1,394,683	2,085,179
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	98,819	64,232
21	Performing residential mortgages, of which:	-	-	-	497,751	323,538
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	497,751	323,538
23	Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	17,569	235	-	8,902
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	1,031,747	37,738	-	110,095	1,093,061
30	OBS items		825,138	-	-	41,257
31	Total RSF					3,719,994
32	NSFR (%)					124.5%

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**Liquidity Coverage Ratio (LCR) Report - Consolidated
31 March 2025**

CBB issued its regulations on Liquidity Risk Management in August 2018. The regulations mandate that banks are required to maintain LCR of at least 100% on a daily basis. The objective of LCR is to manage assets and liabilities to create strong short-term resilience and sufficient liquidity that is enough to fund cash outflow for 30 days.

Below is the bank's average consolidated LCR for the period:

		Q1-2025		Q4-2024	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets					
1	Total HQLA		1,129,750		1,121,664
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	510,604	15,318	508,598	15,184
4	Less stable deposits	1,085,668	108,567	936,485	93,428
5	Unsecured wholesale funding, of which:				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	1,739,549	1,009,393	1,603,628	878,196
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	313,078	80,437	288,683	76,456
14	Other contractual funding obligations	-	-	-	-
15	Other contingent funding obligations	546,096	23,653	504,629	22,608
16	Total Cash Outflows		1,238,460		1,085,871
Cash inflows					
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	272,534	142,459	308,916	158,487
19	Other cash inflows	671,381	642,996	645,198	630,290
20	Total Cash Inflows	943,915	785,455	954,114	788,776
			Total adjusted Value		Total adjusted Value
21	Total HQLA		1,129,750		1,121,664
22	Total net cash outflows		453,006		316,329
23	Liquidity Coverage Ratio (%)*		252.6%		363.5%

*Represents simple average of daily LCR

AL SALAM BANK B.S.C.**Leverage Ratio - Consolidated****31 March 2025**

CBB in June 2018 issued guidelines on leverage ratio as part of updates to the Capital Adequacy Module. The ratio measures how well the banks' Tier 1 capital covers its total exposures (self-financed exposures and adjusted exposures funded by EOIA) both on-balance sheet and off-balance sheet.

Below is the bank's consolidated financial leverage ratio as at 31 March 2025:

S.No.	Description	BHD '000
1	Total Self Financed Assets	3,117,835
2	Total URIA Financed Assets	4,117,705
3	Off Balance Sheet items - with relevant Credit Conversion Factors	369,059
4	Leverage ratio exposure [(1) + (2)*30% + (3)]	4,722,205
5	Regulatory Adjustments	48,368
6	Total exposures for the calculation of the leverage ratio [(4)-(5)]	4,673,837
7	Tier 1 Capital	496,194
	Leverage Ratio [(7)/(6)]	10.6%
	Minimum Leverage Ratio as required by CBB	3.75%