

بنك السلام  
Al Salam Bank



**AL SALAM BANK B.S.C.**

**Liquidity and Leverage Ratios**

**30 September 2023**

**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 30 September 2023, the weighted value of the Available Stable Funding (ASF) stood at BD 3.0 billion, while the total weighted value of the Required Stable Funding (RSF) stood at BD 2.6 billion. The resultant NSFR stood at 115.34%, 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 12%, 60% and 14% 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 1% of the RSF portfolio. unencumbered financing and placements account for 66% and Investment exposures account for 17% 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  
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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
<b>Available Stable Funding (ASF):</b>						
1	Capital:					
2	Regulatory Capital	316,309	-	-	52,661	368,970
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	325,220	19,392	11,506	338,887
6	Less stable deposits	-	1,112,974	403,786	246,049	1,611,133
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	1,838,163	289,370	100,283	670,916
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	136,318	-	-	-
13	<b>Total ASF</b>					<b>2,989,906</b>
<b>Required Stable Funding (RSF):</b>						
14	Total NSFR high-quality liquid assets (HQLA)					32,968
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	-	431,358	1,210	4,528	69,837
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:	-	831,575	251,152	1,070,309	1,417,286
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	169,200	109,980
21	Performing residential mortgages, of which:	-	-	-	356,776	231,904
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	356,776	231,904
23	Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	22,586	4,598	3,075	16,206
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	754,478	18,405	1,638	94,632	793,421
30	OBS items	-	611,141	-	-	30,557
31	<b>Total RSF</b>					<b>2,592,179</b>
32	<b>NSFR (%)</b>					<b>115.34%</b>

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Liquidity Coverage Ratio (LCR) Report - Consolidated  
30 September 2023

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:

		Q3-2023		Q2-2023	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
<b>High-quality liquid assets</b>					
1	Total HQLA		667,210		647,559
<b>Cash outflows</b>					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	253,649	7,609	309,516	9,285
4	Less stable deposits	614,554	61,455	423,965	42,397
5	Unsecured wholesale funding, of which:				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	1,051,659	616,790	784,750	518,397
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	178,882	74,602	59,790	39,794
14	Other contractual funding obligations	-	-	-	-
15	Other contingent funding obligations	352,728	13,038	224,650	6,764
16	Total Cash Outflows		773,494		616,637
<b>Cash inflows</b>					
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	130,300	69,672	96,428	51,285
19	Other cash inflows	341,275	325,705	281,149	266,220
20	Total Cash Inflows	471,575	395,377	377,577	317,505
			Total adjusted Value		Total adjusted Value
21	Total HQLA		667,210		647,559
22	Total net cash outflows		378,117		299,132
23	Liquidity Coverage Ratio (%)*		177.91%		220.02%

\*Represents simple average of daily LCR

**AL SALAM BANK B.S.C.****Leverage Ratio - Consolidated****30 September 2023**

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. CBB has mandated a minimum consolidated leverage ratio of 3%.

Below is the bank's consolidated financial leverage ratio as at 30 September 2023:

S.No.	Description	BHD '000
1	Total Self Financed Assets	2,112,549
2	Total URIA Financed Assets	2,730,173
3	Off Balance Sheet items - with relevant Credit Conversion Factors	281,388
4	<b>Leverage ratio exposure [(1) + (2)*30% + (3)]</b>	<b>3,212,989</b>
5	Regulatory Adjustments	49,624
6	<b>Total exposures for the calculation of the leverage ratio [(4)-(5)]</b>	<b>3,163,365</b>
7	<b>Tier 1 Capital</b>	<b>266,685</b>
	<b>Leverage Ratio [(7)/(6)]</b>	<b>8.43%</b>
	Minimum Leverage Ratio as required by CBB	3%