



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

**Liquidity and Leverage Ratios**

**31 December 2024**

**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 December 2024, the weighted value of the Available Stable Funding (ASF) stood at BD 4.5 billion, while the total weighted value of the Required Stable Funding (RSF) stood at BD 3.6 billion. The resultant NSFR stood at 124.4%, 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%, 64% and 11% 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 66% 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  
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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	508,378	-	-	63,425	571,803
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	571,095	33,455	11,305	585,628
6	Less stable deposits	-	2,058,395	540,615	219,778	2,558,887
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	2,421,460	253,136	105,069	756,018
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	172,320	-	-	-
13	<b>Total ASF</b>					<b>4,472,336</b>
<b>Required Stable Funding (RSF):</b>						
14	Total NSFR high-quality liquid assets (HQLA)					54,201
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	-	648,620	210	3,783	101,181
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:	-	1,341,203	444,796	1,249,265	1,934,973
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	99,508	64,680
21	Performing residential mortgages, of which:	-	-	-	497,045	323,079
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	497,045	323,079
23	Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	19,557	867	-	10,212
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	1,108,102	26,366	3,970	101,667	1,131,103
30	OBS items	-	799,874	-	-	39,994
31	<b>Total RSF</b>					<b>3,594,743</b>
32	<b>NSFR (%)</b>					<b>124.4%</b>

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**Liquidity Coverage Ratio (LCR) Report - Consolidated  
31 December 2024**

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:

	Q4-2024		Q3-2024	
	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		1,121,664		1,095,851
<b>Cash outflows</b>				
2 <b>Retail deposits and deposits from small business customers, of which:</b>				
3 Stable deposits	508,598	15,184	511,785	15,354
4 Less stable deposits	936,485	93,428	852,869	85,287
5 <b>Unsecured wholesale funding, of which:</b>				
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7 Non-operational deposits (all counterparties)	1,603,628	878,196	1,729,373	1,008,774
8 Unsecured sukuk	-	-	-	-
9 <b>Secured wholesale funding</b>		-		-
10 <b>Additional requirements, of which:</b>				
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	288,683	76,456	264,634	74,628
14 <b>Other contractual funding obligations</b>	-	-	-	-
15 <b>Other contingent funding obligations</b>	504,629	22,608	463,612	21,761
16 Total Cash Outflows		1,085,871		1,205,804
<b>Cash inflows</b>				
17 Secured lending (e.g. reverse repos)	-	-	-	-
18 Inflows from fully performing exposures	308,916	158,487	239,257	140,746
19 Other cash inflows	645,198	630,290	586,937	570,921
20 Total Cash Inflows	954,114	788,776	826,194	711,667
		Total adjusted Value		Total adjusted Value
21 Total HQLA		1,121,664		1,095,851
22 Total net cash outflows		316,329		494,137
23 Liquidity Coverage Ratio (%)*		363.5%		226.6%

\*Represents simple average of daily LCR

**AL SALAM BANK B.S.C.****Leverage Ratio - Consolidated  
31 December 2024**

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 31 December 2024:

S.No.	Description	BHD '000
1	Total Self Financed Assets	2,869,769
2	Total URIA Financed Assets	4,070,108
3	Off Balance Sheet items - with relevant Credit Conversion Factors	364,584
4	<b>Leverage ratio exposure [(1) + (2)*30% + (3)]</b>	<b>4,455,385</b>
5	Regulatory Adjustments	48,628
6	<b>Total exposures for the calculation of the leverage ratio [(4)-(5)]</b>	<b>4,406,757</b>
7	<b>Tier 1 Capital</b>	<b>459,750</b>
	<b>Leverage Ratio [(7)/(6)]</b>	<b>10.4%</b>
	Minimum Leverage Ratio as required by CBB	3%