

ASF & RSF FACTORS

The weights inside the NSFR — how Basel decides which funding is stable and which assets demand stable funding.

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Funding Has a Quality, Not Just a Size

The NSFR does not count funding in euros. It counts it in stability.

The Net Stable Funding Ratio asks one question: does the bank fund its long-term assets with funding that will still be there in a year? To answer it, every liability and every asset is multiplied by a weight before being added up.

$$\text{NSFR} = \text{ASF} / \text{RSF} \geq 100\% \quad (\text{both sides are weighted sums})$$

Available Stable Funding (ASF)

The numerator — funding you can rely on

- Each liability gets an ASF factor from 0% to 100%.
- The stickier the money, the higher the factor.
- Capital and long-term debt count fully; overnight wholesale funding counts for nothing.

Required Stable Funding (RSF)

The denominator — funding your assets demand

- Each asset gets an RSF factor from 0% to 100%.
- The harder it is to sell or unwind, the higher the factor.
- Cash needs almost none; a long illiquid loan needs a lot.

KEY TAKEAWAY

The NSFR is two weighted sums divided by each other. The factors are the whole game: they turn a balance sheet into a measure of how well funding maturity matches asset maturity.

How Stable Is Each Euro of Funding?

The longer it stays and the less it runs in a stress, the more it counts.

100%	Regulatory capital (CET1, AT1, Tier 2) and any other liability with residual maturity ≥ 1 year.
95%	Stable demand and term deposits (< 1 yr) from retail and small-business customers.
90%	Less stable retail and small-business deposits — easier to move, so weighted lower.
50%	Operational deposits, funding < 1 yr from non-financial corporates and sovereigns, and funding with 6m– < 1 yr maturity.
0%	Everything else — including funding < 6 months from other financial institutions, and trade-date payables.

KEY TAKEAWAY

Retail deposits are the cheapest stable funding a bank has — they keep almost all their value in the ratio. Short-term money borrowed from other banks is the opposite: it counts for zero, because in a crisis it disappears first.

How Much Funding Does Each Asset Demand?

The harder an asset is to turn into cash, the more stable funding it ties up.

0–5%	Cash, central-bank reserves and Level 1 HQLA (top-quality government bonds) — liquid, so they tie up almost no stable funding.
15–50%	Level 2A / 2B HQLA and most assets maturing in < 1 year, including short loans to corporates and retail.
65%	Qualifying residential mortgages (≥ 1 yr, risk weight ≤ 35%) and similar low-risk long-term loans.
85%	Other performing loans ≥ 1 yr with risk weight > 35%, physical commodities and exchange-traded equities.
100%	Illiquid assets — non-performing loans, fixed assets, and loans ≥ 1 yr to other financial institutions.

A €100 MORTGAGE NEEDS

€65

of stable funding - so it cannot be covered by overnight money that may vanish tomorrow.

Why the split works

ASF rewards funding that stays while RSF penalises assets that are illiquid. Put them together and the NSFR forces long, illiquid lending to be matched by long, sticky funding: the exact mismatch that broke banks in 2008.

The factors are where the NSFR turns a balance sheet into a one-year survival test for funding.

This is Episode 9 of the Banking Metrics Series. Each episode takes one key metric, breaks it down from first principles, and illustrates it with real rules.