

Qualitative disclosure around Net Stable Funding Ratio (NSFR)

In the backdrop of the global financial crisis that started in 2007, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. In this direction BCBS published guidelines on 'Basel III: The Net Stable Funding Ratio' in October 2014 and the NSFR standard to be effective from January 01, 2018. Accordingly, Reserve Bank of India, vide its circular dated May 17, 2018, issued final guidelines on Net Stable Funding Ratio (NSFR).

The NSFR promotes resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. A sustainable funding structure is intended to reduce the probability of erosion of a bank's liquidity position due to disruptions in a bank's regular sources of funding that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off- balance sheet items, and promotes funding stability.

Definition of NSFR:

$$\text{NSFR} = \frac{\text{Available Stable Funding (ASF)}}{\text{Required Stable Funding (RSF)}} \geq 100\%$$

The above ratio should be equal to at least 100% on an ongoing basis and the NSFR ratio is binding on banks w. e. f October 1, 2021.

Available Stable Funding (ASF)

The amount of ASF is measured, based on the broad characteristics of the relative stability of an institution's funding sources, including the contractual maturity of its liabilities and the differences in the propensity of different types of funding providers to withdraw their funding. The amount of ASF is calculated by first assigning the carrying value of an institution's capital and liabilities to one of five categories as mentioned in RBI circular. The amount assigned to each category is then multiplied by an ASF factor, and the total ASF is the sum of the weighted

amounts. Carrying value represents the amount at which a liability or equity instrument is recorded before the application of any regulatory deductions, filters or other adjustments

Required Stable Funding (RSF)

The amount of required stable funding is measured based on the broad characteristics of the liquidity risk profile of an institution's assets and OBS exposures. The amount of required stable funding is calculated by first assigning the carrying value of an institution's assets to the categories listed in RBI circular. The amount assigned to each category is then multiplied by its associated required stable funding (RSF) factor, and the total RSF is the sum of the weighted amounts added to the amount of OBS activity (or potential liquidity exposure) multiplied by its associated RSF factor.

Liquidity Management:

The Bank has well organized liquidity risk management structure as enumerated in ALM Policy which is approved by the Board. The Asset Liability Management Committee (ALCO) of the Bank monitors & manages liquidity and interest rate risk in line with the business strategy. ALM activity including liquidity analysis & management is conducted through coordination between various ALCO support groups residing in the functional areas of Balance Sheet Management, Treasury Front Office, Budget and Planning etc. ALCO directives and ALM actions are implemented by the business groups and verticals.

Bank maintained Available Stable Funding (ASF) of Rs. 2,09,873.12 Crs and Required Stable Funding (RSF) of Rs. 1,82,264.13 Crs as on 30th September, 2022. Available Stable Funding (ASF) is mainly driven by total regulatory capital and deposits with maturity over one year from retail customers, small business customers, non-financial corporate customers and PSUs. Required Stable Funding (RSF) is mainly driven by assets with maturity over one year. Major assets with maturity over one year include unencumbered performing loans and securities. HQLAs (High Quality Liquid Assets) after applying hair-cut constitute less than 2 % of weighted RSF, as HQLAs can be easily sold in the market or can be used as collateral for sourcing additional funds.

The NSFR of the Bank as on Quarter ending September, 2022 is at **115.15%** as against the regulatory limit of 100%.

| NSFR DISCLOSURE | | | | | | |
|---------------------------------------|--|-------------|-------------|-------------------|-------------|----------------|
| Unweighted value by residual maturity | | | | | | |
| | (in Crore) | No Maturity | <6 Months | 6 months to < 1yr | ≥ 1yr | Weighted value |
| | ASF Item | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1 | Capital: (2+3) | 0.00 | 0.00 | 0.00 | 41,156.75 | 41,156.75 |
| 2 | Regulatory capital | 0.00 | 0.00 | 0.00 | 40,854.75 | 40,854.75 |
| 3 | Other capital instruments | 0.00 | 0.00 | 0.00 | 302.00 | 302.00 |
| 4 | Retail deposits and deposits from small business customers: (5+6) | 76,889.51 | 20,135.84 | 19,012.24 | 20,369.02 | 1,25,238.99 |
| 5 | Stable deposits | 7,375.72 | 761.27 | 585.96 | 659.73 | 8,946.53 |
| 6 | Less stable deposits | 69,513.79 | 19,374.57 | 18,426.28 | 19,709.29 | 1,16,292.46 |
| 7 | Wholesale funding: (8+9) | 29,028.32 | 15,624.91 | 12,879.41 | 6,950.63 | 35,716.95 |
| 8 | Operational deposits | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 9 | Other wholesale funding | 29,028.32 | 15,624.91 | 12,879.41 | 6,950.63 | 35,716.95 |
| 10 | Other liabilities: (11+12) | 59,335.91 | 0.00 | 0.00 | 7,760.43 | 7,760.43 |
| 11 | NSFR derivative liabilities | | 0.00 | 0.00 | 0.00 | |
| 12 | All other liabilities and equity not included in the above categories | 55,956.35 | 0.00 | 0.00 | 7,760.43 | 7,760.43 |
| 13 | Total ASF (1+4+7+10) | | | | | 2,09,873.12 |
| | RSF Item | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 14 | Total NSFR high-quality liquid assets (HQLA) | | | | | 3,008.00 |
| 15 | Deposits held at other financial institutions for operational purposes | 1,650.29 | 0.00 | 0.00 | 0.00 | 825.15 |
| 16 | Performing loans and securities: (17+18+19+21+23) | 0.00 | 37,139.46 | 13,390.05 | 1,29,157.20 | 1,13,685.84 |
| 17 | Performing loans to financial institutions secured by Level 1 HQLA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 18 | Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | 0.00 | 13,624.68 | 2,570.62 | 5,564.30 | 8,893.31 |
| 19 | Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | 0.00 | 16,031.82 | 9,696.91 | 56,235.77 | 48,279.01 |
| 20 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | 0.00 | 15,156.55 | 7,857.77 | 52,671.14 | 45,743.40 |
| 21 | Performing residential mortgages, of which: | 0.00 | 1,264.79 | 1,025.30 | 50,427.88 | 38,965.96 |
| 22 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | 0.00 | 1,086.14 | 918.06 | 38,084.30 | 25,756.89 |
| 23 | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | 0.00 | 6,218.17 | 97.22 | 16,929.25 | 17,547.56 |
| 24 | Other assets: (sum of rows 25 to 29) | 46,463.81 | 3,497.18 | 34.27 | 9,605.03 | 58,145.87 |
| 25 | Physical traded commodities, including gold | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 26 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | 0.00 | 0.00 | 0.00 | 5,800.24 | 4,930.21 |
| 27 | NSFR derivative assets | 0.00 | 3,202.42 | 0.00 | 0.00 | 0.00 |
| 28 | NSFR derivative liabilities before deduction of variation margin posted | 0.00 | 168.98 | 0.00 | 0.00 | 168.98 |
| 29 | All other assets not included in the above categories | 46,463.81 | 125.78 | 34.27 | 3,804.79 | 53,046.68 |
| 30 | Off-balance sheet items | 0.00 | 0.00 | 0.00 | 1,51,848.30 | 6,599.27 |
| 31 | Total RSF (14+15+16+24+30) | 48,114.10 | 1,08,957.39 | 13,424.32 | 2,90,610.54 | 1,82,264.13 |
| 32 | Net Stable Funding Ratio (%) | | | | | 115.15% |