

## **Net Stable Funding Ratio**

**As on Sep 30, 2022**

The Net Stable Funding Ratio (NSFR) is a significant component of the Basel III reforms. 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 regard, the Basel III rules text on liquidity – “Basel III: International framework for liquidity risk measurement, standards and monitoring” was issued in December 2010 which presented the details of global regulatory standards on liquidity. Two minimum standards, viz., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for funding liquidity were prescribed by the Basel Committee for achieving two separate but complementary objectives. 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.

The Liquidity Risk Management of the Bank is governed by the Asset Liability Management (ALM) Policy approved by the Board. The Asset Liability Committee (ALCO) is a decision-making unit responsible for implementing the liquidity and interest rate risk management strategy of the Bank in line with its risk management objectives and ensures adherence to the risk tolerance/limits set by the Board.

The guidelines for NSFR were effective from October 1, 2021. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. “Available stable funding” (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required (“Required stable funding”) (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

Equitas Small Finance Bank Limited (ESFBL) during the quarter ended 30<sup>th</sup> Sep 2022, maintained ASF of ₹22,735 and RSF of Rs. ₹18,173 crores. The Bank’s NSFR as on 30<sup>th</sup> Sep 2022 was at 125.10% as against RBI minimum requirement of 100%.

The table below sets out the average NSFR of ESFBL for quarter ended Sep 30, 2022.

(Rs. in Crores)

Available Stable Funding (ASF) Item	Unweighted value by residual maturity				Weighted value	
	No Maturity	< 6 months	6 months to < 1 year	>= 1 Year		
1	<b>Capital: (2+3)</b>	4,031	-	-	-	4,031
2	Regulatory capital	4,031				4,031
3	Other capital Instruments	-				-
4	<b>Retail deposits and deposits from small business customers: (5+6)</b>	9,400	1,354	1,178	3,873	14,776
5	Stable Deposits	3,278				3,114
6	Less stable deposits	6,122	1,354	1,178	3,873	11,661
7	<b>Wholesale funding: (8+9)</b>	1,022	2,132	2,226	503	3,928
8	Operational deposits					
9	Other wholesale funding	1,022	2,132	2,226	503	3,928
10	<b>Other Liabilities (11+12)</b>	3,231	-	-	-	-
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in the above categories	3,231				-
13	<b>Total ASF (1+4+7+10)</b>					22,735
<b>Required Stable Funding (RSF) Item</b>						
14	Total NSFR high-quality liquid assets (HQLA)					266
15	Deposits held at other financial institutions for operational purposes	42				21
16	<b>Performing loans and securities: (17+18+19+21+23)</b>	-	3,542	2,870	13,568	14,373
17	Performing loans to financial institutions secured by Level 1 HQLA					
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	189	164		111
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:		3,353	2,706		3,030
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				12,066	10,256
21	Performing residential mortgages, of which:				1,502	977
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					

23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
<b>24</b>	<b>Other assets: (sum of rows 25 to 29)</b>	<b>2,769</b>	<b>94</b>	<b>177</b>	<b>467</b>	<b>3,496</b>
25	Physical traded commodities, including gold					
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	74				63
27	NSFR derivative assets					
28	NSFR derivative liabilities before deduction of variation margin posted					
29	All other assets not included in the above categories	2,695				2,695
30	All restructured 'standard' loans which attract higher risk weight and additional provision		94	177	467	738
31	Off-balance sheet items	372				17
<b>31</b>	<b>Total RSF (14+15+16+24+30)</b>	<b>3,184</b>	<b>3,636</b>	<b>3,048</b>	<b>14,035</b>	<b>18,173</b>
<b>32</b>	<b>Net Stable Funding Ratio (%)</b>					125.10%