

Net Stable Funding Ratio

As on Sep 30, 2024

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 30th Sep 2024, maintained ASF of ₹32,156 crore and RSF of Rs. ₹28,955 crore. The Bank’s NSFR as on 30th Sep 2024 was at 111.06% as against RBI minimum requirement of 100%.

The table below sets out the NSFR of ESFBL for quarter ended Sep 30, 2024.

(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	Capital: (2+3)	6,047	-	-	-	6,047
2	Regulatory capital	6,047				6,047
3	Other capital Instruments	-				-
4	Retail deposits and deposits from small business customers: (5+6)	9,465	4,540	10,752	13	22,486
5	Stable Deposits	3,833				3,642
6	Less stable deposits	5,632	4,540	10,752	13	18,844
7	Wholesale funding: (8+9)	610	1,028	4,200	705	3,624
8	Operational deposits					
9	Other wholesale funding	610	1,028	4,200	705	3,624
10	Other Liabilities (11+12)	11,561	-	-	-	-
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in the above categories	11,561	266			-
13	Total ASF (1+4+7+10)					32,156
Required Stable Funding (RSF) Item						
14	Total NSFR high-quality liquid assets (HQLA)					431
15	Deposits held at other financial institutions for operational purposes	362	56	15	-	216
16	Performing loans and securities: (17+18+19+21+23)	-	5,276	4,640	22,861	23,750
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	-	807	643	233	675
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:		4,468	3,733	-	4,101
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				20,204	17,174
21	Performing residential mortgages, of which:				2,424	1,576
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			264		225
24	Other assets: (sum of rows 25 to 29)	4,297	480	12	9	4,538
25	Physical traded commodities, including gold					
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	95				81
27	NSFR derivative assets					
28	NSFR derivative liabilities before deduction of variation margin posted					
29	All other assets not included in the above categories	4,202	480	12	9	4,457
30	Off-balance sheet items		396	0.2	7	20
31	Total RSF (14+15+16+24+30)	4,659	6,209	4,667	22,877	28,955
32	Net Stable Funding Ratio (%)					111.06%