

QUALITATIVE DISCLOSURE ON LIQUIDITY COVERAGE RATIO

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be readily converted into cash at little/no loss of value to meet its liquidity needs for a 30-calendar daytime horizon under a liquidity stress scenario.

LCR has two components:

- i. The value of the stock of High Quality Liquid Assets (HQLA) as a *Numerator*.
- ii. Total Net Cash Outflows: Total expected cash outflows minus Total expected cash inflows, in stress scenario, for the subsequent 30 calendar days as a *denominator*.

Definition of LCR:

Stock of high quality liquid assets (HQLAs) \geq 100% (w.e.f 01.04.2021)

Total net cash outflows over the next 30 calendar days

The Liquidity Coverage Ratio arrived for the quarter ended March 31, 2023 was 206.19% (on basis of simple averages of daily observations during the period 01-01-2023 to 31-03-2023) against the regulatory requirement of 100%

The main drivers of LCR of the bank are High Quality Liquid Assets (HQLAs) to meet liquidity needs of the bank at all times and basic funding from retail and small business customers.

Composition of High Quality Liquid Assets (HQLA)

HQLAs comprises of Level 1 and Level 2 assets. Level 2 assets are further divided into Level 2A and Level 2B assets, keeping in view their marketability and price volatility. Total weighted value (average) of HQLA for the quarter ended March 31, 2023 is Rs. 2590469 Lakh.

Break-up of daily observation Average HQLA during quarter ended March 31, 2023 is given hereunder:

| High Quality Liquid Assets (HQLAs) | Average % age contribution to HQLA |
|--|---|
| Level 1 Assets | |
| Cash in hand | 1.53% |
| Excess CRR balance | 0.10% |
| Government Securities in excess of minimum SLR requirement | 20.97% |
| Government securities within the mandatory SLR requirement, to the extent allowed by RBI under MSF (presently to the extent of 2 per cent of NDTL) | 8.41% |
| Marketable securities issued or guaranteed by foreign sovereigns having 0% risk-weight under Basel II Standardized Approach | 0.00% |
| Facility to avail Liquidity for Liquidity Coverage Ratio – FALLCR (presently to the extent of 16 per cent of NDTL) | 67.31% |
| Total Level 1 Assets | 98.33% |
| Total Level 2A Assets | 1.64% |
| Total Level 2B Assets | 0.03% |
| Total Stock of HQLAs | 100.00% |

| Rs. In Lakhs | | | | | | | | | |
|-----------------------------------|--|--|--------------------------------|--|--------------------------------|--|--------------------------------|--|--------------------------------|
| | | 30.06.2022 | | 30.09.2022 | | 31.12.2022 | | 31.03.2023 | |
| | | Total Unweighted Value (Average) | Total Weighted Value (Average) | Total Unweighted Value (Average) | Total Weighted Value (Average) | Total Unweighted Value (Average) | Total Weighted Value (Average) | Total Unweighted Value (Average) | Total Weighted Value (Average) |
| High Quality Liquid Assets | | | | | | | | | |
| 1 | Total High Quality Liquid Assets | | 257697 | | 271965 | | 274722 | | 2590469 |
| Cash Outflows | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which | 6666902 | 664002 | 6772589 | 674531 | 6916623 | 688939 | 7027361 | 699976 |
| (i) | Stable Deposits | 53771 | 2689 | 54570 | 2729 | 54474 | 2724 | 55190 | 2759 |
| (ii) | Less stable deposits | 6613131 | 661313 | 6718019 | 671802 | 6862148 | 686215 | 6972172 | 697217 |
| 3 | Unsecured wholesale funding of which | 1173822 | 526527 | 1099655 | 506835 | 1040813 | 504156 | 1124488 | 566853 |
| (i) | Operational Deposits (all counterparties) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (ii) | Non-operational deposits (all counterparties) | 1173822 | 526527 | 1099655 | 506835 | 1040813 | 504156 | 1124488 | 566853 |
| (iii) | Unsecured debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Secured wholesale funding | | 0 | | 0 | | 0 | | 0 |
| 5 | Additional requirements, of which | 0 | 97708 | 0 | 81993 | 0 | 90031 | 0 | 121673 |
| (i) | Outflows related to derivative exposures and other collateral requirements | 83966 | 83966 | 69696 | 69696 | 77759 | 77759 | 109997 | 109997 |
| (ii) | Outflows related to loss of funding on debt product | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (iii) | Credit and liquidity facilities | 268966 | 13742 | 235693 | 12297 | 238036 | 12272 | 225867 | 11676 |
| 6 | Other contractual funding obligations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | Other contingent funding obligations | 1053603 | 45158 | 994891 | 42888 | 1091005 | 47421 | 1106985 | 47628 |
| 8 | Total Cash Outflows | | 133339 | | 130624 | | 133054 | | 1436130 |
| Cash Inflows | | | | | | | | | |
| 9 | Secured lending (e.g.reverse repos) | 64020 | 0 | 4420 | 0 | 545 | 0 | 138 | 0 |
| 10 | Inflows from fully performing exposures | 127497 | 75646 | 210882 | 120397 | 187498 | 137350 | 163855 | 98182 |
| 11 | Other Cash Inflows | 53857 | 53749 | 74866 | 74866 | 60247 | 59858 | 81622 | 81622 |
| 12 | Total Cash Inflows | 245374 | 129395 | 290168 | 195263 | 248290 | 197208 | 245615 | 179804 |
| 13 | TOTAL HQLA | | 257697 | | 271965 | | 274722 | | 2590469 |
| 14 | Total Net Cash Outflows | | 120400 | | 111098 | | 113333 | | 1256326 |
| 15 | Liquidity Coverage Ratio(%) | | 214.03% | | 244.80% | | 242.40% | | 206.19% |
| | | The Liquidity Coverage Ratio arrived for the quarter ended 30.06.2022 is 214.03% (on basis of simple averages of daily observations during the period 01-04-2022 to 30-06-2022) against the regulatory requirement of 100% | | The Liquidity Coverage Ratio arrived for the quarter ended 30.09.2022 is 244.80% (on basis of simple averages of daily observations during the period 01-07-2022 to 30-09-2022) against the regulatory requirement of 100% | | The Liquidity Coverage Ratio arrived for the quarter ended 31.12.2022 is 242.40% (on basis of simple averages of daily observations during the period 01-10-2022 to 31-12-2022) against the regulatory requirement of 100% | | The Liquidity Coverage Ratio arrived for the quarter ended 31.03.2023 is 206.19% (on basis of simple averages of daily observations during the period 01-01-2023 to 31-03-2023) against the regulatory requirement of 100% | |

The Bank has refined the process of computation of LCR & NSFR by adopting to more conservative approach towards recognition of Wholesale Deposits i.e. explicitly recognizing difference between "Callable & Non-Callable Optionality" of Deposits. Thus enhancing the stability & resilience of Risk Parameters.

With the adoption of these changes, Bank's LCR (single day as on 31.03.2023)

work out to be at 113.56% which is above the regulatory minimum.

QUALITATIVE DISCLOSURE ON NET STABLE FUNDING RATIO

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.

Minimum Requirement of NSFR should be equal to at least 100% on an ongoing basis

$$\text{NSFR} = \frac{\text{Available Stable Funding [ASF]}}{\text{Required Stable Funding [RSF]}} > 100 \%$$

The minimum NSFR requirement set out in the RBI guideline for the standalone Bank and for Group is 100% w.e.f 1st October, 2021.

As on 31st March, 2023, PSB maintained weighted Available Stable Funding (ASF) of Rs.9849337 Lakh against the weighted Required Stable Funding (RSF) of Rs. 8004976Lakh. The NSFR for the quarter ended March 31, 2023 was at 123.04%



Punjab & Sind Bank
H.O. Risk Management Department
Net Stable Funding Ratio for Quarter Ending **31.03.2023**

NSFR - BLR 7

Amount in Rs. Lakhs

| S.NO | A. | Components of ASF category (liability categories) | Unweighted_Amount | Associated ASF_factors | Weighted_Amount |
|------|-----------|--|--------------------|------------------------|-------------------|
| 1 | i. | Total regulatory capital (excluding Tier 2 instruments with residual maturity of less than one year) | 1499875.82 | 100% | 1499876 |
| 2 | ii. | Other capital instruments with effective residual maturity of one year or more | 0.00 | 100% | 0 |
| 3 | iii. | Other liabilities with effective residual maturity of one year or more | 82048.00 | 100% | 82048 |
| 4 | iv. | Stable non-maturity (demand) deposits and term deposits with residual maturity of less than one year provided by retail and small business customers | 118932.25 | 95% | 112986 |
| 5 | v. | Less stable non-maturity deposits and term deposits with residual maturity of less than one year provided by retail and small business customers | 7681094.20 | 90% | 6912985 |
| 6 | vi. | Funding with residual maturity of less than one year provided by non-financial corporate customers | 587451.93 | 50% | 293726 |
| 7 | vii. | Operational deposits | 0.00 | 50% | 0 |
| 8 | viii. | Funding with residual maturity of less than one year from sovereigns, PSEs, and multilateral and national development banks | 1895473.13 | 50% | 947737 |
| 9 | ix. | Other funding with residual maturity between six months and less than one year not included in the above categories, including funding provided by central banks and financial institutions | 0.00 | 50% | 0 |
| 10 | x. | All other liabilities and equity not included in the above categories, including liabilities without a stated maturity (with a specific treatment for deferred tax liabilities and minority interests) | 1379969.49 | 0% | 0 |
| 11 | xi. | NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets | 0.00 | 0% | 0 |
| 12 | xii. | Trade date payables arising from purchases of financial instruments, foreign currencies | 0.00 | 0% | 0 |
| . | B. | Total Available Stable Funding | 13244844.81 | . | 9849356.76 |
| S.NO | C | Components of RSF category | Unweighted_Amount | Associated RSF_factors | Weighted_Amount |
| 1 | i. | Coins and banknotes | 32351.85 | 0% | 0 |
| 2 | ii. | Cash Reserve Ratio (CRR) including excess CRR | 513815.41 | 0% | 0 |
| 3 | iii. | All claims on central banks with residual maturities of less than six months | 70000.00 | 0% | 0 |
| 4 | iv. | Trade date receivables arising from sales of financial instruments, foreign currencies and commodities. | 0.00 | 0% | 0 |
| 5 | v. | Unencumbered Level 1 assets, excluding coins, banknotes, CRR and SLR Securities | 0.00 | 5% | 0 |
| 6 | vi. | Unencumbered SLR Securities | 2288921.09 | 5% | 114446 |
| 7 | vii. | Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets as defined in LCR circular dated June 9, 2014, and where the bank has the ability to freely rehypothecate the received collateral for the life of the loan | 0.00 | 10% | 0 |
| 8 | viii. | All other standard unencumbered loans to financial institutions with residual maturities of less than six months not included in the above categories | 562271.52 | 15% | 84341 |
| 9 | ix. | Unencumbered Level 2A assets | 36685.20 | 15% | 5503 |
| 10 | x. | Unencumbered Level 2B assets | 1451.05 | 50% | 726 |
| 11 | xi. | HQLA encumbered for a period of six months or more and less than one year | 0.00 | 50% | 0 |
| 12 | xii. | Standard Loans to financial institutions and central banks with residual maturities between six months and less than one year | 1363.97 | 50% | 682 |
| 13 | xiii. | Deposits held at other financial institutions for operational purposes | 0.00 | 50% | 0 |
| 14 | xiv. | All other assets not included in the above categories with residual maturity of less than one year, including standard loans to non-financial corporate clients, to retail and small business customers, and standard loans to sovereigns and PSEs | 3059469.75 | 50% | 1529735 |

| | | | | | |
|----|-----------|---|--------------------|------|-------------------|
| 15 | xv. | Unencumbered standard residential mortgages with a residual maturity of one year or more and assigned the minimum risk weight under the Standardised Approach | 525907.76 | 65% | 341840 |
| 16 | xvi. | Other unencumbered standard loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the Standardised Approach | 1268609.92 | 65% | 824596 |
| 17 | xvii. | Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a CCP | 54704.55 | 85% | 46499 |
| 18 | xviii. | Other unencumbered performing loans with risk weights greater than 35% under the Standardised Approach and residual maturities of one year or more, excluding loans to financial institutions | 2106766.97 | 85% | 1790752 |
| 19 | xix. | Unencumbered securities that are not in default and do not qualify as HQLA with a remaining maturity of one year or more and exchange-traded equities | 1444729.30 | 85% | 1228020 |
| 20 | xx. | Physical traded commodities, including gold | 0.00 | 85% | 0 |
| 21 | xxi. | All assets that are encumbered for a period of one year or more | 0.00 | 100% | 0 |
| 22 | xxii. | NSFR derivative assets net of NSFR derivative liabilities if NSFR derivative assets are greater than NSFR derivative liabilities | 30921.48 | 100% | 30921 |
| 23 | xxiii. | 5% of derivative liabilities | 7782.90 | 100% | 7783 |
| 24 | xxiv. | All other assets not included in the above categories, including non-performing loans, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities | 1825817.69 | 100% | 1825818 |
| 25 | xxv. | All restructured standard loans which attract higher risk weight and additional provisions | 89407.11 | 100% | 89407 |
| . | D. | Required Stable Funding ? On Balance Sheet Assets [(i)+(ii)+_(xxiv)] | 13920977.51 | . | 7921068.31 |
| . | E. | Off-Balance Sheet Assets | . | . | . |
| 1 | (i) | Irrevocable and conditionally revocable credit and liquidity facilities to any client | 680854.22 | 5% | 34043 |
| 2 | (ii) | Other contingent funding obligations, including products and instruments (a) + (b) + © | 1153024.91 | . | 49865 |
| . | (a) | Unconditionally revocable credit and liquidity facilities | 763721.52 | 5% | 38186 |
| . | (b) | Trade finance-related obligations (including guarantees and letters of credit) | 11439.60 | 3% | 343 |
| . | (c) | Guarantees and letters of credit unrelated to trade finance obligation | 377863.79 | 3% | 11336 |
| 3 | (iii) | Non-contractual obligations (a) + (b) + (c) | 0.00 | . | . |
| . | (a) | potential requests for debt repurchases of the banks own debt or that of related conduits, securities investment vehicles and other such financing facilities | 0.00 | 5% | . |
| . | (b) | structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes (VRDNs) | 0.00 | 5% | . |
| . | (c) | managed funds that are marketed with the objective of maintaining a stable value | 0.00 | 5% | . |
| . | F. | Required Stable Funding - Off Balance Sheet Items (i)+(ii)+(iii) | 1833879.13 | . | 83908 |
| . | G. | Total Required Stable Funding (D+F) | 15754856.64 | . | 8004976.20 |
| . | H. | NSFR % (B / G) | 84.07 | . | 123.04 |