

Bank of India
LCR and NSFR Disclosure on Consolidated basis for the
quarter ended December 31, 2022

LCR Disclosure for the quarter ended December 31, 2022

Bank of India			
Risk Management Dept., Head Office			
LCR DISCLOSURE for the quarter ended December, 2022			
		Amount ` in crores	
	Particulars	Total Unweighted Value (average)*	Total Weighted Value(average)*
HIGH QUALITY LIQUID ASSETS			
1	Total High Quality Assets(HQLA)		143,328.16
CASH OUTFLOW			
2	Retail deposits and deposits from small business customers, of which:	489,292.85	42,467.51
(i)	Stable deposits	129,235.59	6,461.78
(ii)	Less stable deposits	360,057.25	36,005.73
3	Unsecured wholesale funding of which:	88,925.05	51,263.11
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	62,769.89	25,107.95
(iii)	unsecured debts	26,155.16	26,155.16
4	Secured wholesale funding		107.08
5	Additional requirements, of which	30,213.46	8,331.06
(i)	Outflows related to derivative exposures and other collateral requirement	3,019.78	3,019.78
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	27,193.68	5,311.27
6	Other contractual funding obligations	13,058.19	13,058.19
7	Other contingent funding obligations	33,816.92	1,014.53
8	TOTAL CASH OUTFLOWS		116,241.47
CASH INFLOW			
9	Secured lending(e.g. reverse repos)	4,852.81	3,379.68
10	Inflows from fully performing exposures	28,873.89	22,701.97
11	Other cash inflows	13,954.01	13,801.34
12	TOTAL CASH INFLOWS	47,680.71	39,882.99
21	TOTAL HQLA		143,328.16
22	TOTAL NET CASH OUTFLOWS		76,358.48
23	LIQUIDITY COVERAGE RATIO(%)		187.70

* The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the quarter (69 observations)



Qualitative disclosures with regard to LCR

W.e.f. 1st January 2015, the Bank has implemented guidelines on Liquidity Coverage Ratio (LCR) as directed by Reserve Bank of India.

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the bank to survive until next 30 calendar days under a severe liquidity stress scenario.

$$LCR = \frac{\text{High Quality Liquid Assets (HQLA)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Here,

- HQLA comprises of level 1 and level 2 assets, in other words these are cash or near to cash items which can be easily used / discounted in the market in case of need.
- Net cash outflows are excess of total outflow over total inflow under stressed situation as defined by Basel / RBI. While arriving at the net cash outflow, the inflows are taken with pre-defined hair-cuts and the outflows are taken at pre-defined run-off factors.
- In case stressed inflows are more than the stressed outflows, 25% of total outflows shall be taken as total net cash outflows to arrive at the LCR.
- With effect from 01.01.2015, Banks were required to maintain minimum 60% LCR on an ongoing basis. The same has reached 100% as on 01.01.2019 with incremental increase of 10% each year.

	01/01/2015	01/01/2016	01/01/2017	01/01/2018	01/01/2019	01/04/2020	01/10/2020	01/04/2021
Minimum LCR	60%	70%	80%	90%	100%	80%	90%	100%

However, in order to accommodate the burden on bank's cash flow on account of COVID 19 pandemic, RBI vide circular no DOR.BP.BC.No.65/21.04.098/2019-20, dated April 17, 2020 permitted Banks to maintain LCR as under:

From date of Circular to September 30, 2020	= 80%
Oct 1, 2020 to March 31, 2021	= 90%
April 1, 2021 onwards	=100%



Main Drivers of LCR: The main drivers of the LCR are adequacy of High Quality Liquid Assets (HQLA) and lower net cash outflow on account of higher funding sources from retail customers. Sufficient stock of HQLA helped the Bank to maintain adequate LCR.

Composition of HQLA: The composition of High Quality Liquid Assets (HQLA) mainly consists of cash balances, excess SLR, excess CRR, Securities under MSF and FALLCR (Facility to Avail Liquidity for Liquidity Coverage Ratio).

The composition of HQLA as on date of disclosure is given below:

Cash in hand	1.90%
Excess CRR balance	4.11%
Government securities in excess of minimum SLR Requirement	12.76%
Government securities within the mandatory SLR Requirement, to the extent of allowed by RBI under MSF (presently to the extent of 2 percent of NDTL as allowed for MSF)	8.00%
Marketable securities issued or guaranteed by foreign sovereigns having 0% risk weight under Basel II standardized approach and other securities adjustments on account of Repo/Reverse Repo transactions	7.41%
Facility to Avail Liquidity for Liquidity Coverage Ratio	63.96%
Level 2 Assets	1.86%

Concentration of funding sources: Majority of Bank's funding sources are from retail customers & small business customers therefore the stressed outflows are comparatively lower. Bank does not have significant funding concentration from any counterparty.

Derivative Exposures and potential collateral calls: Bank has very little exposure in derivative business which is not very significant.

Currency mismatch in the LCR: In terms of RBI guidelines, a significant currency is one where aggregate liabilities denominated in that currency amount to 5 per cent or more of the bank's total liabilities. In our case, USD is the only significant currency.

Description of the degree of centralization of liquidity management and interaction between the group's units: The liquidity management of the Bank at enterprise level is a Board level function and a separate sub-committee of the Board (R.Com.) keeps close watch on that. The periodical monitoring of the liquidity management is being monitored by the ALCO on regular intervals. The entire liquidity management process of the Bank is being governed by ALM Policy of the Bank.



The liquidity management for domestic operations is the central function, being managed at Head Office level. The overseas liquidity management is being handled at each centre, jurisdiction wise to keep close monitoring and control and also to comply with the local regulatory requirements as well.



NSFR Disclosure for the quarter ended December 31, 2022

NSFR Disclosure Template - 31.12.2022						
	Amount in (Rs. Crores)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	61,001	0	0	0	61,001
2	Regulatory capital	61,001	0	0	0	61,001
3	Other capital instruments	0	0	0	0	0
4	Retail deposits and deposits from small business customers: (5+6)	217,459	136,789	82,265	0	397,330
5	Stable deposits	37,537	28,524	23,311	0	84,903
6	Less stable deposits	179,922	108,265	58,954	0	312,427
7	Wholesale funding: (8+9)	19,223	16,526	17,763	0	26,756
8	Operational deposits	0	0	0	0	0
9	Other wholesale funding	19,223	16,526	17,763	0	26,756
10	Other liabilities: (11+12)	1,246	89,760	0	152,168	109,206
11	NSFR derivative liabilities		0	0	0	0
12	All other liabilities and equity not included in the above categories	1,246	89,760	0	152,168	109,206
13	Total ASF (1+4+7+10)					594,294
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)					6,530
15	Deposits held at other financial institutions for operational purposes	5,422	0	0	0	2,711
16	Performing loans and securities: (17+18+19+21+23)	0	307,127	19,931	161,191	267,790
17	Performing loans to financial institutions secured by Level 1 HQLA	0	0	0	0	0
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0	20,294	3,507	0	4,797
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	286,833	16,424	107,446	221,468
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0	286,833	16,424	107,446	221,468
21	Performing residential mortgages, of which:	0	0	0	20,798	13,518
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0	0	0	20,798	13,518
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	0	0	0	32,947	28,005
24	Other assets: (sum of rows 25 to 29)	0	28,281	3,560	135,436	158,813
25	Physical traded commodities, including gold	0				0
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	0	0
27	NSFR derivative assets		22,417	2,659	1,668	26,744
28	NSFR derivative liabilities before deduction of variation margin posted		326	82	0	409
29	All other assets not included in the above	0	5,538	818	133,768	131,660
30	Off-balance sheet items		12,190	45,859	45,241	4,401
31	Total RSF					440,245
32	NSFR %					134.99%
#	Items to be reported in the 'no maturity' time bucket do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities, and physical traded					



Qualitative disclosures with regard to NSFR

The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience of bank's liquidity risk profiles and to incentivize a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in the form of Capital & liabilities in relation to the composition of their assets and off-balance sheet activities.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding.

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

RBI issued the regulations on the implementation of the Net Stable Funding Ratio in May 2018 with minimum requirement of equal to at least 100%. The implementation is effective from 1st October, 2021. NSFR is computed at Bank's standalone and consolidated level.

Available Stable Funding (ASF) is defined as the portion of capital and liabilities expected to be reliable which is determined by various factors/weights according to the nature and maturity of liabilities viz. liabilities having maturity of 1 year or more receiving 100% weight.

Required Stable Funding (RSF) is defined as the portion of on balance sheet and off-balance sheet exposures which requires to be funded on an ongoing basis. The amount of such stable funding required is a function of the liquidity characteristics and residual maturities of the various assets held.

Brief about NSFR of the Bank

The main drivers of the Available Stable Funding (ASF) are the capital base, retail deposit base, and funding from non-financial companies and long-term funding from institutional clients. The capital base formed around 10%, retail deposits (including deposits from small sized business customers) formed 67% and wholesale funding formed 5% of the total Available Stable Funding, after applying the relevant weights.

The Required Stable Funding primarily comprised lending to corporates, retail clients and financial institutions which constituted 61% of the total RSF after applying the relevant weights. The stock of High-Quality Liquid Assets which majorly includes cash



and reserve balances with the RBI, government debt issuances attracted no or low amount of stable funding due to their high quality and liquid characteristic. Accordingly, the HQLA and the deposits held for operational purpose constituted only 2% of the Required Stable Funding after applying the relevant weights. Other assets and Contingent funding obligations, such as committed credit facilities, guarantees and letters of credit constituted 37% of the Required Stable Funding.

Bank has maintained comfortable stable funding buffers with Available Stable Funding at consolidated level of Rs.594,294 Cr against Rs.440,245 Cr of Required Stable Funding, resulting in a consolidated NSFR of 134.99% as on 31st December, 2022.

