

Date: - October 29, 2021

In terms of RBI Circular (RBI/2019-20/88) No: DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated November 04,2019 issued by Reserve Bank of India, please find enclosed Liquidity Risk Management Framework and Liquidity Coverage Ratio of SBI Cards and Payment Services Limited for the period ending **September 2021**.

For SBI Cards and Payment Services Limited



Nalin Negi
Chief Financial Officer

SBI Cards and Payment Services Ltd.

(Formerly known as SBI Cards and Payment Services Pvt. Ltd.)

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Appendix I

For the quarter ending September 2021 (based on unaudited financials)

In terms of RBI Circular (RBI/2019-20/88) No: DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated
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1. DISCLOSURE ON LIQUIDITY RISK:

i) Funding Concentration based on significant counterparty (both deposits and borrowings):

Sr. No.	Number of Significant Counterparties	Amount (Rs. crore)	% of Total Deposits	% of Total Liabilities
1.	10 (Ten)	16,472.68	N.A.	74.27%

ii) Top 20 large deposits (amount in Rs. crore and % of total deposits)

Company is registered as Non-Deposit taking Systemically Important NBFC, hence N.A.

iii) Top 10 borrowings (amount in Rs. crore and % of total borrowings) *

Sr. No.	Name of the instrument/product	Amount (Rs. crore)	% of Total Borrowings
1.	STATE BANK OF INDIA	9,836.57	52.31%
2.	CENTRAL BANK OF INDIA	1,627.50	8.66%
3.	HDFC BANK LTD	1,586.00	8.43%
4.	PUNJAB NATIONAL BANK	1,131.82	6.02%
5.	BANK OF BARODA	602.71	3.21%
6.	THE HONGKONG AND SHANGHAI BANKING CORP.LTD.	402.01	2.14%
7.	UNION BANK OF INDIA	325.00	1.73%
8.	AZIM PREMJI TRUST	300.00	1.60%
9.	ICICI PRUDENTIAL LIQUID FUND	300.00	1.60%
10.	SMBC	251.05	1.34%

*Borrower name consolidated as per benpos report, For Commercial Paper's maturity amount has been considered.

iv) Funding Concentration based on significant instrument/product

Sr. No.	Name of the instrument/product	% of Total Public Funds	% of Total Liabilities
a.	Bank Lines	11,363.16	51.23%
b.	Debentures	6,463.80	29.14%
c.	Commercial Papers	1,196.21	5.39%

v) Stock Ratios

Sr. No.	Name of the instrument/product	% of Total Public Funds	% of Total Liabilities	% of Total Assets
a.	Commercial Papers	N.A.	5.39%	4.10%
b.	Non-Convertible Debentures (original maturity <1 year)	N.A.	N.A.	N.A.
c.	Other Short-Term Liabilities	N.A.	65.27%	49.63%

vi) Institutional set-up for liquidity risk management

Liquidity risk is the risk that the Company doesn't have sufficient financial resources to meet its obligations as and when they fall due or will have to do so at an excessive cost. This risk arises from the mismatches in the timing of the cash flows which is inherent in all financing operations and can be affected by a range of company specific and market wide events. Therefore, Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company has put in place an effective Asset Liability Management System, constituted an Asset Liability Management Committee ("ALCO") headed by Managing Director & CEO of the Company.

The Company manages its liquidity risk through a mix of strategies, including forward-looking resource mobilization based on projected disbursements and maturing obligations. ALCO is responsible for managing the Company's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Company's borrowing program is rated by CRISIL & ICRA. Short term rating is A1+ and long-term rating is AAA/Stable by both the agencies. There has been no change in ratings from last 10 years.

2. DISCLOSURE ON LIQUIDITY COVERAGE RATIO

Reserve Bank of India, through the Liquidity Risk Management Framework for Non-Banking Financial Companies, introduced Liquidity Coverage Ratio (LCR) with the objective that NBFC shall maintain a liquidity buffer in terms of LCR which will promote resilience of NBFCs to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Asset (HQLA) to survive any acute liquidity stress scenario lasting for 30 days. HQLA means liquid assets that can be readily sold or immediately converted into cash at little or no loss of value or used as collateral to obtain funds in a range of stress scenarios.

Liquidity management in the Company is driven by the Board approved Asset Liability Management (ALM) Policy. The Asset Liability Committee (ALCO) is a decision-making unit responsible for implementing the liquidity risk management strategy of the Company, formulating the Company's funding strategies to ensure that the funding sources are well diversified and is consistent with the operational requirements of the Company and also ensures adherence to the risk tolerance/limits set by the Board.

The LCR requirement were effective December 1, 2020, with the minimum HQLAs to be held being 50% of the LCR, progressively increase it by 10% annually, to reach up to the required level of 100% by December 1, 2024. The LCR is calculated by dividing stock of HQLA by total net cash outflows over the next 30 calendar days. Total net cash outflows over the next 30 days are equal

to stressed outflows minus Minimum of (stressed inflows or 75% of stressed outflows), wherein stressed outflows are 115% of outflows and stressed inflows are 75% of inflows.

The following table sets out the average of unweighted and weighted value of the LCR components of the Company calculated in accordance with RBI circular no RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated November 04, 2019. The average weighted and unweighted amounts are calculated taking simple averages of daily observations over the previous/reporting quarter.

(Amounts in INR Crores, except %)

		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
Sr. No.	Particulars	Total Unweighted Value (Average)	Total Weighted Value (Average)	Total Unweighted Value (Average)	Total Weighted Value (Average)
High Quality Liquid Asset					
1	Total High Quality Liquid Assets (HQLA)		1,011.13		1,038.65
Cash Outflows					
2	Deposits (For Deposit taking Companies)	-	-	-	-
3	Unsecured Wholesale Funding	-	-	4.78	5.49
4	Secured Wholesale Funding	3,433.13	3,948.10	3,555.51	4,088.83
5	Additional Requirements, of which				
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-
(iii)	Credit and liquidity facilities	393.02	451.98	380.46	437.53
6	Other contractual funding obligations	948.52	1,090.80	866.58	996.56
7	Other contingent funding obligations	-	-	-	-
8	Total Cash Outflows	4,774.68	5,490.88	4,807.32	5,528.42

Cash Inflows					
9	Secured lending	-	-	-	-
10	Inflows from fully performing exposures	7,381.52	5,536.14	6,896.58	5,172.44
11	Other Cash Inflows	133.05	99.79	127.70	95.78
12	Total Cash Inflows	7,514.58	5,635.93	7,024.29	5,268.21
			Total Adjusted Value		Total Adjusted Value
13	Total HQLA		1,011.31		1,038.65
14	Total Net Cash Outflows		1,372.72		1,382.10
15	Liquidity Coverage Ratio (%)		73.66%		75.15%

The main drivers of the LCR calculation in outflow over 30 days period is contractual borrowing obligations of the company in the form of commercial papers, bank lines, debentures. Other contractual funding obligations consist of liabilities towards network partners, vendor payments, other liabilities. Further company has used the behavioral study to take the impact of unused credit and liquidity facilities that Company has provided to its cardholders. Main driver of inflows is the repayments from the cardholders which are taken basis the past behavioral pattern observed. Other cash inflows consist majorly of funds in transit (money lying with payment aggregators) and incomes accruals which company expects to receive in next 30 days.

The average LCR of the Company for the three months ended September 30, 2021 was 73.66% as against 75.15% for the quarter ended June 30, 2021. The LCR remains above the regulatory minimum requirement of 50%. The average HQLA for the quarter ended September 30, 2021 was Rs 1,011.13 crores as against Rs 1,038.65 crores for the quarter ended June 30, 2021. The net cash outflow position has gone down by Rs 9.38 crores and HQLA level has down by Rs 27.52 crores. HQLA comprises of balances in current account with Scheduled Commercial Banks (8.04%), Investments in Treasury Bills (52.39%) and investment in Government Securities (39.57%). The company takes forward cover to hedge the foreign exchange liabilities and hence does not foresee any material impact of derivative exposure/potential collateral calls/ currency mismatch in the LCR.

Management is of the view that the Company has sufficient liquidity cover to meet its likely future short-term requirements.