

Liquidity Coverage Ratio December 31, 2019

Liquidity Coverage Ratio (LCR) is a measure to assess short-term resilience of the banks to potential liquidity disruptions by ensuring sufficient high quality liquid assets (HQLA) are maintained to survive net cash outflows over next 30 days under stress conditions. LCR is calculated by dividing a bank's stock of HQLA by its total net cash outflows over a 30-day stress period.

As per the RBI directions, LCR framework is also applicable to small finance banks however, the transition period for the SFBs for achieving the prescribed level of LCR would be as follows with present requirement, as on December 31, 2019, at 80%.

	Till Dec 31, 2017	By Jan 1, 2018	By Jan 1, 2019	By Jan 1, 2020	By Jan 1, 2021
Minimum LCR	60%	70%	80%	90%	100%

High quality liquid assets (HQLA) under LCR are divided into two parts i.e. Level 1 HQLA which comprises of cash, excess CRR, excess SLR securities and a portion of mandatory SLR as permitted by RBI (under MSF and FALLCR) and Level 2 HQLA which comprises of investments in highly rated non-financial corporate bonds and listed equity investments considered at prescribed haircuts. Cash outflows are calculated by multiplying the outstanding balances of various categories/types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in under stress conditions.

Equitas Small Finance Bank Limited (ESFBL), during the quarter ended December 31, 2019, maintained an average HQLA of ₹ 3186 Crore against the average net cash outflows of ₹ 2,402 Crore (weighted). The entire HQLA was maintained in Level 1 assets. The average LCR of ESFBL for the quarter ended December 31, 2019 is at 132.67%, which is well above the regulatory requirement of 80%.

The table below sets out the average LCR of ESFBL for quarter ended December 31, 2019.

(Rs. in Crores)

LCR Disclosure Template		For Q3 2019-20	
		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		3,186
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
(i)	Stable deposits	423	21
(ii)	Less stable deposits	2,907	291
3	Unsecured wholesale funding, of which:		
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	2,562	1,964
(iii)	Unsecured debt	224	224
4	Secured wholesale funding		-
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	186	56
6	Other contractual funding obligations	183	183
7	Other contingent funding obligations	150	7
8	TOTAL CASH OUTFLOWS		2,746
Cash Inflows			
9	Secured lending (e.g. reverse repos)	1,160	-
10	Inflows from fully performing exposures	428	226
11	Other cash inflows	172	119
12	TOTAL CASH INFLOWS	1,761	345
21	TOTAL HQLA		3,186
22	TOTAL NET CASH OUTFLOWS		2,402
23	LIQUIDITY COVERAGE RATIO (%)		132.67