Liquidity Coverage Ratio

As of March 31, 2020

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 calendar 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 for Small Finance Banks. As of March 31, 2020, the minimum Liquidity Coverage Ratio required for banks is 90%. However, in the view of exceptional liquidity stress conditions prevailing due to COVID-19 lockdown, the RBI vide its notification dated 17th April 2020, reduced the LCR requirement to 80%. The LCR requirement will reset to 90% on 1st October 2020 and to 100% on 1st April 2021.

High Quality Liquid Assets (HQLA) under LCR are divided into two parts i.e. Level-1 HQLA which comprises of cash, excess CRR balance, 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. As a prudent measure, the Bank had suitably adjusted the contractual inflows from the borrower's account to reflect the impact of moratorium allowed to the borrowers by RBI due to COVID-19 lockdown.

Equitas Small Finance Bank Limited (ESFBL) during the quarter ended March 31, 2020, maintained an average HQLA of ₹3,490 Crore to cover the average net cash outflows of ₹2,730 Crore over the next 30 days. The entire HQLA was maintained in the form of Level 1 HQLA. The average LCR of ESFBL for the quarter ended March 31, 2020 is at 127.84%, which is well above the regulatory requirement.

The table below sets out the average LCR of ESFBL for quarter ended March 31, 2020.

(Rs. in Crores)

	Liquidity Coverage Ratio	For Q4 2019-20	
		Total Unweighted Value (average)	**Total Weighted Value (average)**
High Quality Liquid Assets			
1	**Total High Quality Liquid Assets (HQLA)**		**3,490**
Cash Outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
(i)	Stable deposits	629	32
(ii)	Less stable deposits	3,063	306
3	**Unsecured wholesale funding, of which:**		
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	2,856	2,210
(iii)	Unsecured debt	260	260
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	171	52
6	Other contractual funding obligations	229	229
7	Other contingent funding obligations	154	7
8	**TOTAL CASH OUTFLOWS**		**3,096**
Cash Inflows			
9	Secured lending (e.g. reverse repos)	1,596	-
10	Inflows from fully performing exposures	460	244
11	Other cash inflows	185	122
12	**TOTAL CASH INFLOWS**	**2,241**	**366**
21	**TOTAL HQLA**		**3,490**
22	**TOTAL NET CASH OUTFLOWS**		**2,730**
23	**LIQUIDITY COVERAGE RATIO (%)**		**127.84**