

Liquidity Coverage Ratio

September 30, 2018

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 September 30, 2018 at 70%.

	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 primarily 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 or 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 September 30, 2018, maintained monthly average HQLA of ₹ 2,360 crore against the monthly average net cash outflows of ₹ 1,347 crore (weighted). The entire HQLA was Level 1 HQLA. The average LCR of ESFB for the quarter ended September 30, 2018 was at 175.19%, which is well above the regulatory requirement of 70%.

The table below sets out the average LCR of ESFBL for quarter ended September 30, 2018.

(Rs. in Crores)

LCR Disclosure Template		For Q2 2018-19	
		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		2,360
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
(i)	Stable deposits	485	24
(ii)	Less stable deposits	1,510	151
3	Unsecured wholesale funding, of which:		
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	2,055	1,630
(iii)	Unsecured debt	-	-
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	-	-
6	Other contractual funding obligations	-	-
7	Other contingent funding obligations	272	81
8	TOTAL CASH OUTFLOWS		1,886
Cash Inflows			
9	Secured lending (e.g. reverse repos)	33	-
10	Inflows from fully performing exposures	706	539
11	Other cash inflows	-	-
12	TOTAL CASH INFLOWS	739	539
			Total Adjusted Value
21	TOTAL HQLA		2,360
22	TOTAL NET CASH OUTFLOWS		1,347
23	LIQUIDITY COVERAGE RATIO (%)		175.19