

## Liquidity Coverage Ratio

March 31, 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.

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:

|                    | Till Dec 31, 2017 | By Jan 1, 2018 | By Jan 1, 2019 | By Jan 1, 2020 | By Jan 1, 2021 |
|--------------------|-------------------|----------------|----------------|----------------|----------------|
| <b>Minimum LCR</b> | 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 March 31, 2018, maintained average HQLA of ₹ 1,661 crore against the average net cash outflows of ₹ 779 cr. The entire HQLA was Level 1 HQLA. The average LCR of ESFB for the quarter ended March 31, 2018 was at 213.10%, which is well above the regulatory threshold of 70%.

The table below sets out the average LCR of ESFBL for all the four quarters of financial year 2017-18.

(₹ in Crore)

| Liquidity Coverage Ratio (LCR)    |                                                                              | Quarter Ended<br>June 30, 2017            |                                         | Quarter Ended<br>September 30, 2017       |                                         | Quarter Ended<br>December 30, 2017        |                                         | Quarter Ended<br>March 30, 2018           |                                         |
|-----------------------------------|------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|-----------------------------------------|
|                                   |                                                                              | Total<br>Unweighted<br>Value<br>(average) | Total<br>Weighted<br>Value<br>(average) | Total<br>Unweighted<br>Value<br>(average) | Total<br>Weighted<br>Value<br>(average) | Total<br>Unweighted<br>Value<br>(average) | Total<br>Weighted<br>Value<br>(average) | Total<br>Unweighted<br>Value<br>(average) | Total<br>Weighted<br>Value<br>(average) |
| <b>High Quality Liquid Assets</b> |                                                                              |                                           |                                         |                                           |                                         |                                           |                                         |                                           |                                         |
| 1                                 | <b>Total High Quality Liquid Assets (HQLA)</b>                               |                                           | 1,552                                   |                                           | 1,534                                   |                                           | 1,486                                   |                                           | 1,661                                   |
| <b>Cash Outflows</b>              |                                                                              |                                           |                                         |                                           |                                         |                                           |                                         |                                           |                                         |
| 2                                 | <b>Retail deposits and deposits from small business customers, of which:</b> | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       |
| (i)                               | Stable deposits                                                              | 167                                       | 8                                       | 245                                       | 12                                      | 326                                       | 16                                      | 365                                       | 18                                      |
| (ii)                              | Less stable deposits                                                         | 586                                       | 59                                      | 773                                       | 77                                      | 918                                       | 92                                      | 1,042                                     | 104                                     |
| 3                                 | <b>Unsecured wholesale funding, of which:</b>                                | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       |
| (i)                               | Operational deposits (all counterparties)                                    | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       |
| (ii)                              | Non-operational deposits (all counterparties)                                | 65                                        | 49                                      | 225                                       | 159                                     | 352                                       | 238                                     | 943                                       | 606                                     |
| (iii)                             | Unsecured debt                                                               | 330                                       | 330                                     | 391                                       | 391                                     | 343                                       | 343                                     | 424                                       | 424                                     |
| 4                                 | <b>Secured wholesale funding</b>                                             |                                           | -                                       |                                           | -                                       |                                           | -                                       |                                           | -                                       |
| 5                                 | <b>Additional requirements, of which</b>                                     | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       |
| (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                                 | <b>Other contractual funding obligations</b>                                 | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       | -                                         | -                                       |
| 7                                 | <b>Other contingent funding obligations</b>                                  | 135                                       | 6                                       | 105                                       | 4                                       | 110                                       | 5                                       | 211                                       | 10                                      |
| 8                                 | <b>Total Cash Outflows</b>                                                   |                                           | <b>452</b>                              |                                           | <b>644</b>                              |                                           | <b>693</b>                              |                                           | <b>1,162</b>                            |
| <b>Cash Inflows</b>               |                                                                              |                                           |                                         |                                           |                                         |                                           |                                         |                                           |                                         |
| 9                                 | Secured lending (e.g. reverse repos)                                         | -                                         | -                                       | -                                         | -                                       | 40                                        | -                                       | 156                                       | -                                       |
| 10                                | Inflows from fully performing exposures                                      | 264                                       | 132                                     | 280                                       | 140                                     | 202                                       | 101                                     | 313                                       | 156                                     |
| 11                                | Other cash inflows                                                           | 233                                       | 233                                     | 126                                       | 126                                     | 168                                       | 168                                     | 226                                       | 226                                     |
| 12                                | <b>Total Cash Inflows</b>                                                    | <b>496</b>                                | <b>364</b>                              | <b>406</b>                                | <b>266</b>                              | <b>411</b>                                | <b>269</b>                              | <b>695</b>                                | <b>382</b>                              |
| 13                                | <b>Total HQLA</b>                                                            |                                           | <b>1,552</b>                            |                                           | <b>1,534</b>                            |                                           | <b>1,486</b>                            |                                           | <b>1,661</b>                            |
| 14                                | <b>Total Net Cash Outflows</b>                                               |                                           | <b>87</b>                               |                                           | <b>378</b>                              |                                           | <b>424</b>                              |                                           | <b>779</b>                              |
| 15                                | <b>Liquidity Coverage Ratio (%)</b>                                          |                                           | <b>1373.99%</b>                         |                                           | <b>405.52%</b>                          |                                           | <b>350.30%</b>                          |                                           | <b>213.10%</b>                          |