Liquidity Coverage Ratio

As of December 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. In the view of exceptional liquidity stress conditions due to COVID-19 lockdown, the RBI vide its notification dated 17th April 2020 had reduced the LCR requirements for Banks to 80%. Presently, the LCR requirement is at 90% and will be reset 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.

Equitas Small Finance Bank Limited (ESFBL) during the quarter ended 31st December 2020, maintained an average HQLA of ₹6,938 Crore to cover the average net cash outflows of ₹3,709 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 31st December 2020 is at 187%, which is well above the regulatory requirement.

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

(Rs. in Crores)

	Liquidity Coverage Ratio	For Q3 2020-21 Total Unweighted Value (average)	For Q3 2020-21 Total Weighted Value (average)
High Quality Liquid Assets			
1	**Total High Quality Liquid Assets (HQLA)**		**6,938**
Cash Outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
(i)	Stable deposits	1,123	56
(ii)	Less stable deposits	4,520	452
3	**Unsecured wholesale funding, of which:**		
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	3,702	2,937
(iii)	Unsecured debt	279	279
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	228	72
6	Other contractual funding obligations	329	329
7	Other contingent funding obligations	136	7
8	**TOTAL CASH OUTFLOWS**		**4,132**
Cash Inflows			
9	Secured lending (e.g. reverse repos)	2,824	-
10	Inflows from fully performing exposures	483	256
11	Other cash inflows	237	167
12	**TOTAL CASH INFLOWS**	**3,544**	**423**
21	**TOTAL HQLA**		**6,938**
22	**TOTAL NET CASH OUTFLOWS**		**3,709**
23	**LIQUIDITY COVERAGE RATIO (%)**		**187**