

Liquidity Coverage Ratio

As of December 31, 2021

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. RBI vide its notification dated April 17, 2020, reduced the LCR requirements for Banks to 80% until September 30, 2020. The LCR requirement from October 1, 2020 to March 31, 2021 is at 90% and is reset to 100% from April 1, 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 Dec 2021, maintained an average HQLA of ₹5,638 Crore to cover the average net cash outflows of ₹4,279 Crore over the next 30 days. The HQLA was maintained predominantly in the form of Level 1 HQLA. The average LCR of ESFBL for the quarter ended 31st December 2021 is at 132%, which is well above the regulatory requirement.

The table below sets out the average LCR of ESFBL for quarter ended December 31, 2021.

(Rs. in Crores)

Liquidity Coverage Ratio		For Q3 2021-22	
		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		5,638
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
(i)	Stable deposits	2,496	125
(ii)	Less stable deposits	8,229	823
3	Unsecured wholesale funding, of which:		
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	5,118	3,688
(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	114	9
6	Other contractual funding obligations	242	244
7	Other contingent funding obligations	144	7
8	TOTAL CASH OUTFLOWS		4,896
Cash Inflows			
9	Secured lending (e.g. reverse repos)	1,739	-
10	Inflows from fully performing exposures	731	520
11	Other cash inflows	192	97
12	TOTAL CASH INFLOWS	2,662	617
21	TOTAL HQLA		5,638
22	TOTAL NET CASH OUTFLOWS		4,279
23	LIQUIDITY COVERAGE RATIO (%)		132