

Liquidity Coverage Ratio

As of Sep 30, 2022

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 will be 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 30th Sep 2022, maintained an average HQLA of ₹5,456 crore to cover the average net cash outflows of ₹3,199 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 30th Sep 2022 is at 174.92%, which is well above the regulatory requirement.

The table below sets out the average LCR of ESFBL for quarter ended Sep 30, 2022.

(Rs. in Crores)

Liquidity Coverage Ratio	For Q2 2022-23	
	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets		
Total High Quality Liquid Assets (HQLA)		5,456
Retail deposits and deposits from small business customers, of which:		
Stable deposits	3,150	158
Less stable deposits	11,886	1,189
Unsecured wholesale funding, of which:		
Operational deposits (all counterparties)	-	-
Non-operational deposits (all counterparties)	2,546	1,701
Unsecured debt	-	-
Secured wholesale funding	1,458	-
Additional requirements, of which		
Outflows related to derivative exposures and other collateral requirements	-	-
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	144	7
Other contractual funding obligations	555	555
Other contingent funding obligations	184	9
TOTAL CASH OUTFLOWS	19,922	3,618
Secured lending (e.g. reverse repos)	1,990	-
Inflows from fully performing exposures	564	398
Other cash inflows	203	102
TOTAL CASH INFLOWS	2,785	499
TOTAL HQLA		5,456
TOTAL NET CASH OUTFLOWS		3,119
LIQUIDITY COVERAGE RATIO (%)		174.92%