Liquidity Coverage Ratio

As of Dec 31, 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 31st Dec 2022, maintained an average HQLA of ₹5,891 crore to cover the average net cash outflows of ₹2,790 Crore over the next 30 days.The average LCR of ESFBL for the quarter ended 31st Dec 2022 is at 211%, which is well above the regulatory requirement.

The table below sets out the average LCR of ESFBL for quarter ended Dec 31, 2022.

(Rs. in Crores)

Liquidity Coverage Ratio	**For Q3 2022-23**	
	Total Unweighted Value (average)	**Total Weighted Value (average)**
High Quality Liquid Assets		
Total High Quality Liquid Assets (HQLA)		**5,891**
Retail deposits and deposits from small business customers, of which:		
Stable deposits	**3,212**	**161**
Less stable deposits	**12,875**	**1,288**
Unsecured wholesale funding, of which:		
Operational deposits (all counterparties)	**-**	**-**
Non-operational deposits (all counterparties)	**2,310**	**1,590**
Unsecured debt	**-**	**-**
Secured wholesale funding	**765**	**-**
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	**159**	**10**
Other contractual funding obligations	**279**	**279**
Other contingent funding obligations	**195**	**9**
TOTAL CASH OUTFLOWS	**19,975**	**3,337**
Secured lending (e.g. reverse repos)	**1,519**	**-**
Inflows from fully performing exposures	**699**	**437**
Other cash inflows	**220**	**110**
TOTAL CASH INFLOWS	**2,438**	**547**
TOTAL HQLA		**5,891**
TOTAL NET CASH OUTFLOWS		**2,790**
LIQUIDITY COVERAGE RATIO (%)		**211%**