

## **Liquidity Coverage ratio (LCR)**

Liquidity Coverage Ratio has been prescribed by RBI based on LCR Standards published by BCBS. The LCR promotes short term resilience of Banks to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Assets (HQLAs) to survive an acute stress scenario in the immediate 30 days period.

LCR is defined as

$$\frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100 \%$$

The LCR standard aims to ensure that a Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for the next 30 days period under a significantly severe liquidity stress scenario specified by RBI.

While the BCBS specifies a ratio of minimum 100 % for all Banks, RBI has made a graduated increase from 60 % to attain 100 % by 2019 as given in the schedule below:

	<b>January 1, 2015</b>	<b>January 1, 2016</b>	<b>January 1, 2017</b>	<b>January 1, 2018</b>	<b>January 1, 2019</b>
Minimum LCR	60%	70%	80%	90%	100%

The main driver of the LCR is HQLA which consists of Cash in hand, Excess CRR balance as on that particular day, Government Securities in excess of minimum SLR requirement, Government Securities within the mandatory SLR requirement to the extent allowed by RBI under MSF (Presently to the extent of 2.00% of NDTL as allowed for MSF), Facility to avail liquidity for liquidity coverage ratio at 16.00% of NDTL, Marketable securities representing claims on or claims guaranteed by sovereigns, PSEs or multilateral development Banks that are assigned a 20% risk weight under the Basel II standardized approach for credit risk and provided that they are not issued by a Bank/financial institution/NBFC or any of its affiliated entities, Marketable securities representing claims on or claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%, Common equity shares not issued by a Bank/Financial institution/NBFC or any of its affiliated entities and included in NSE CNX Nifty and / or S & P BSE Sensex indices.

The Bank has a well-diversified funding portfolio. Retail deposits, considered as stable is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.

The Liquidity risk management in the Bank is guided by the ALM Policy. The Bank's Liquidity management is centralized at Treasury department as per the directions of ALCO.

The Bank has been maintaining the LCR above 100% (which is the minimum requirement prescribed by RBI). The LCR Disclosure Template for the quarter ended December 2023 is given below.

(Rs in crore)

<b>LCR Disclosure Template for the Quarter ended December 2023</b>			
		Total Unweighted Value (Avg)	Total Weighted Value (Avg)
<b>High Quality Liquid Assets</b>			
<b>1</b>	<b>Total High Quality Liquid Assets (HQLA)</b>		<b>12570.06</b>
<b>Cash Outflows</b>			
2	Retail Deposits and deposits from small business customers, of which:	36078.15	2899.77
	(i) Stable Deposits	14160.87	708.04
	(ii) Unstable Deposits	21917.28	2191.73
3	Unsecured Wholesale funding	5597.14	1901.23
	(i) Operational Deposits (all counterparties)	0.00	0.00
	(ii) Non-operational deposits (all counterparties)	5597.14	1901.23
	(iii) Unsecured debt	0.00	0.00
4	Secured Wholesale funding	0.00	0.00
5	Additional requirements	6102.09	529.71
	(i) Outflows related to derivative exposures and other collateral requirements	120.82	120.82
	(ii) Outflows related to loss of funding on debt products	0.00	0.00
	(iii) Credit and liquidity facilities	5981.27	408.89
6	Other Contractual Funding Obligations	0.00	0.00
7	Other Contingent funding Obligations	1870.70	56.12
<b>8</b>	<b>TOTAL CASH OUTFLOWS</b>	<b>49648.08</b>	<b>5386.83</b>
<b>Cash Inflows</b>			
9	Secured Lending	304.51	152.26
10	Inflows from fully performing exposures	0.00	0.00
11	Other Cash Inflows	480.84	480.84
<b>12</b>	<b>TOTAL CASH INFLOWS</b>	<b>785.35</b>	<b>633.10</b>
		<b>Total adjusted value</b>	
13	TOTAL HQLA	12570.06	
14	TOTAL NET CASH OUTFLOWS	4753.73	
<b>15</b>	<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>264.43%</b>	