IDFC BANK

Liquidity Coverage Ratio as at September 2016

The Basel Committee for Banking Supervision (BCBS) had proposed the liquidity coverage ratio (LCR) in order to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant liquidity stress lasting for a period of 30 days. LCR is defined as a ratio of HQLA to the total net cash outflows estimated for the next 30 calendar days. As per the RBI guidelines the minimum LCR required to be maintained by banks shall be implemented in a phased manner from January 1, 2015 as given below.

2015 - 60%
2016 - 70%
2017 - 80%
2018 - 90%
2019 - 100%

₹ in crs

Particulars	Quarter Ended September 2016	
	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets		
1 Total High Quality Liquid Assets (HQLA)		10,255
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:		
(i) Stable deposits	42	2
(ii) Less stable deposits	697	70
3 Unsecured wholesale funding, of which		
(i) Operational deposits (all counterparties)	-	-
(ii) Non-operational deposits (all counterparties)	-	-
(iii) Unsecured debt	10,976	8,321
4 Secured wholesale funding	18,281	-
5 Additional requirements, of which		
(i) *Outflows related to derivative exposures and other collateral requirements*	2,249	2,249
(ii) *Outflows related to loss of funding on debt products*	-	-
(iii) *Credit and liquidity facilities*	-	-
6 Other contractual funding obligations	970	970
7 Other contingent funding obligations	8,701	261
8 TOTAL CASH OUTFLOWS		11,873
Cash Inflows		
9 Secured lending (e.g. reverse repos)	2,111	-
10 Inflows from fully performing exposures	-	-
11 Other cash inflows	6,444	5,568
12 TOTAL CASH INFLOWS	8,555	5,568
		Total Adjusted Value
21 TOTAL HQLA		10,255
22 TOTAL NET CASH OUTFLOWS		6,305
23 LIQUIDITY COVERAGE RATIO (%)		163%

* The average weighted and unweighted amounts are calculated taking simple average of July 2016, August 2016 and September 2016 figures.

The Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is highly invested into GOI Bonds and corporate bonds which have resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30 day period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities and corporate bonds in form of CP, CD and Bonds rated AA- and above with mandated haircuts applied thereto.

Bank is predominantly funded through long term borrowings viz Bonds and ECBs. Further the reliance on retail deposits and CASA is low but has increased as compared to the previous quarter. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Bank expects the LCR to reduce in the coming quarters primarily on account of growth in advances and increased focus on raising retail deposits.