

Liquidity Coverage Ratio as at December 2016

The Basel Committee for Banking Supervision (BCBS) had proposed the liquidity coverage ratio (LCR) 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 December 2016	
	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets		
1 Total High Quality Liquid Assets (HQLA)		12,707
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:		
(i) Stable deposits	97	5
(ii) Less stable deposits	1,325	132
3 Unsecured wholesale funding, of which		
(i) Operational deposits (all counterparties)	-	-
(ii) Non-operational deposits (all counterparties)	-	-
(iii) Unsecured debt	13,425	10,444
4 Secured wholesale funding	24,485	-
5 Additional requirements, of which		
(i) Outflows related to derivative exposures and other collateral requirements	1,202	1,202
(ii) Outflows related to loss of funding on debt products	-	-
(iii) Credit and liquidity facilities	-	-
6 Other contractual funding obligations	1,074	1,074
7 Other contingent funding obligations	14,156	425
8 TOTAL CASH OUTFLOWS		13,282
Cash Inflows		
9 Secured lending (e.g. reverse repos)	2,039	-
10 Inflows from fully performing exposures	-	-
11 Other cash inflows	3,827	2,923
12 TOTAL CASH INFLOWS	5,866	2,923
		Total Adjusted Value
21 TOTAL HQLA		12,707
22 TOTAL NET CASH OUTFLOWS		10,359
23 LIQUIDITY COVERAGE RATIO (%)		123%

* The average weighted and unweighted amounts are calculated taking simple average of October 2016, November 2016 and December 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.