Disclosure on Liquidity Coverage Ratio (LCR)

(Amt. in Rs. million)

		Average for 3 months i.e. October 2015 – December 2015	
		Total Un-weighted Value (average)	**Total Weighted Value (average)**
High Quality Liquid Assets			
1	**Total High Quality Liquid Assets (HQLA)**		**236,226.33**
Cash Outflow			
2	Retail deposits and deposits from small business customers, of which:	909,645.10	90,158.28
(i)	Stable deposits	16,124.62	806.23
(ii)	Less stable deposits	893,520.47	89,352.05
3	Unsecured wholesale funding, of which:	403,829.29	313,356.40
(i)	Operational deposits (all counterparties)	1,026.83	256.70
(ii)	Non-operational deposits (all counterparties)	360,972.01	271,269.24
(iii)	Unsecured debt	41,830.46	41,830.46
4	Secured wholesale funding		15,000.00
5	Additional requirements, of which	114,336.42	112,813.85
(i)	*Outflows related to derivative exposures and other collateral requirements*	112,644.68	112,644.68
(ii)	*Outflows related to loss of funding on debt products*	-	-
(iii)	*Credit and liquidity*	1,691.74	169.17
6	Other contractual funding obligations	26,289.18	26,289.18
7	Other contingent funding obligations	2,222,516.29	111,125.81
8	**Total Cash Outflows**		**668,743.52**
Cash Inflows			
9	Secured lending (e.g. reverse repos)	3,282.93	3,282.93
10	Inflows from fully performing exposures	427,091.08	213,545.54
11	Other cash inflows	141,872.92	141,872.92
12	**Total Cash Inflows**	572,246.93	358,701.39
13	**TOTAL HQLA**		236,226.33
14	**Total Net Cash Outflows**		310,042.12
15	**Liquidity Coverage Ratio (%)**		76.19%

<u>Qualitative disclosure around Liquidity Coverage Ratio (LCR)</u>

In the backdrop of the global financial crisis that started in 2007, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. In this direction BCBS published guidelines on 'Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools' in January 2013 and the 'Liquidity Coverage Ratio Disclosure Standards' in January 2014. Accordingly, Reserve Bank of India, vide its circular dated June 09, 2014, issued guidelines on Liquidity Coverage Ratio (LCR).

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 lasting for 30 days. 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 a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors.

Definition of LCR:

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}} >= 100\%$$

The LCR requirements are binding on banks from January 1, 2015. However, with a view to provide a transition time for banks, the requirement is minimum 60% for the calendar year 2015 i.e. with effect from January 1, 2015, and rise in equal steps of 10% over a period of 4 years to reach the minimum required level of 100% on January 1, 2019.

High Quality Liquid Assets (HQLA):

Under the standard, banks must hold a stock of *unencumbered* HQLA to cover the total net cash outflows over a 30-day period under the prescribed stress scenario. In order to qualify as HQLA, assets should be liquid in markets during times of stress and in most cases be eligible for use in central bank operations. The HQLA of the Bank mainly comprise of SLR investments over and above mandatory requirement, liquidity available by way of borrowing under Marginal Standing Facility (2% of NDTL), Facility to Avail Liquidity for Liquidity Coverage Ratio (5% of NDTL) & other securities issued by PSEs or non-financial corporates.

Total net cash-outflows:

Total expected cash *outflows* are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run-off or be drawn down. Total expected 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.

Liquidity Management:

The Bank has well organized liquidity risk management structure as enumerated in ALM Policy which is approved by the Board. The Asset Liability Management Committee (ALCO) of the Bank monitors & manages liquidity and interest rate risk in line with the business strategy. ALM activity including liquidity analysis & management is conducted through coordination between various ALCO support groups residing in the functional areas of Balance Sheet Management, Treasury Front Office, Budget and Planning etc. ALCO directives and ALM actions are implemented by the business groups and verticals.

As per the regulatory guidelines, presently Bank maintains LCR in domestic currency only. The average LCR of the Bank for the Q3 of 2015-16 was at 76.19%

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