Liquidity Coverage Ratio as at December 2015

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 Dec 2015	
		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		7,992
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	42	2
(i)	Stable deposits	42	2
(ii)	Less stable deposits	-	-
3	Unsecured wholesale funding, of which	3,108	2,186
(i)	Operational deposits (all counterparties)	64	6
(ii)	Non-operational deposits (all counterparties)	1,441	576
(iii)	Unsecured debt	1,603	1,603
4	Secured wholesale funding		-
5	Additional requirements, of which	12	1
(i)	*Outflows related to derivative exposures and other collateral requirements*	-	-
(ii)	*Outflows related to loss of funding on debt products*	-	-
(iii)	*Credit and liquidity facilities*	12	1
6	Other contractual funding obligations	-	-
7	Other contingent funding obligations	1,675	84
8	TOTAL CASH OUTFLOWS		2,273
Cash Inflows			
9	Secured lending (e.g. reverse repos)	1,632	600
10	Inflows from fully performing exposures	-	-
11	Other cash inflows	407	223
12	TOTAL CASH INFLOWS	2,039	823
		Total Adjusted Value	1,450
21	TOTAL HQLA		7,992
22	TOTAL NET CASH OUTFLOWS		1,450
23	LIQUIDITY COVERAGE RATIO (%)		551%

Liquidity Coverage Ratio is significantly higher than minimum regulatory prescribed; mainly on account of following reasons:

1) As a strategy, currently Bank is highly invested into GOI Bonds which has resulted in a high level of HQLA.
2) Bank is predominantly funded through long term borrowings viz Bonds and ECBs. Further the reliance on retail deposits and CASA is minimal.

Bank expects the LCR to reduce in the coming quarters primarily on account of growth in advances and increased focus on raising deposits.