Liquidity Coverage Ratio

(₹ millions)

Particulars		Quarter ended June 30, 2020 Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		**3,413,645.4**
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	**7,323,846.3**	**609,168.1**
(i)	Stable deposits	2,464,330.5	123,216.5
(ii)	Less stable deposits	4,859,515.8	485,951.6
3	Unsecured wholesale funding, of which:	**3,567,273.0**	**2,026,629.2**
(i)	Operational deposits (all counterparties)	433,359.1	105,704.2
(ii)	Non-operational deposits (all counterparties)	3,004,051.4	1,791,062.5
(iii)	Unsecured debt	129,862.5	129,862.5
4	Secured wholesale funding		38,409.7
5	Additional requirements, of which	**943,389.6**	**559,953.8**
(i)	Outflows related to derivative exposures and other collateral requirement	489,427.0	489,427.0
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	453,962.6	70,526.8
6	Other contractual funding obligation	188,478.0	188,478.0
7	Other contingent funding obligations	786,205.8	23,586.2
8	Total Cash Outflows		**3,446,225.0**
Cash Inflows			
9	Secured lending (e.g. reverse repo)	-	-
10	Inflows from fully performing exposures	610,362.1	329,261.6
11	Other cash inflows	749,496.7	680,693.5
12	Total Cash Inflows	**1,359,858.8**	**1,009,955.1**
			Total Adjusted Value
13	Total HQLA		3,413,645.4
14	Total Net Cash Outflows		2,436,269.9
15	Liquidity Coverage Ratio (%)		**140.12%**

** The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.*

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The Liquidity Coverage Ratio (LCR) is one of the Basel Committee's key reforms to develop a more resilient banking sector. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario. The LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

The Liquidity Risk Management of the Bank is governed by the Asset Liability Management (ALM) Policy approved by the Board. The Asset Liability Committee (ALCO) is a decision-making unit responsible for implementing the liquidity and interest rate risk management strategy of the Bank in line with its risk management objectives and ensures adherence to the risk tolerance/limits set by the Board. In order to determine cash outflows, the Bank segregates its deposits into various customer segments, viz Retail (which include deposits from individuals), Small Business Customers (those with deposits under ₹ 5 crore), and Wholesale (which would cover all residual deposits). Within Wholesale, deposits that are attributable to clearing, custody, and cash management services are classified as Operational Deposits. Other contractual funding, including a portion of other liabilities which are expected to run down in a 30 day time frame are included in the cash outflows. These classifications, based on extant regulatory guidelines, are part of the Bank's LCR framework, and are also submitted to the RBI

The LCR is calculated by dividing a Bank's stock of HQLA by its total net cash outflows over a 30-day stress period. The guidelines for LCR were effective January 1, 2015, with the minimum requirement at 60% which have risen in equal annual steps to reach 100% on January 1, 2019. This graduated approach was designed to ensure that the LCR could be introduced without material disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity.

In the Indian context, the run-off factors for the stressed scenarios are prescribed by the RBI, for various categories of liabilities (viz., deposits, unsecured and secured wholesale borrowings), undrawn commitments, derivative-related exposures, and offset with inflows emanating from assets maturing within the same time period. Given below is a table of run-off factors and the average LCR maintained by the Bank quarter-wise over the past two years:

Particulars	**Run-off factors**
Retail Deposits	5% - 10%
Small Business Customers	5% - 10%
Operational deposits	5% - 25%
Non-financial corporates, sovereigns, central banks, multilateral development banks, and PSEs	40%
Other legal entities	100%

Quarter ended	LCR Maintained (Average)	LCR Requirement
June 30, 2020	140.12%	80.00%
March 31, 2020	132.43%	
December 31, 2019	140.33%	
September 30, 2019	132.53%	100.00%
June 30, 2019	125.51%	
March 31, 2019	117.66%	
December 31, 2018	126.10%	
September 30, 2018	118.09%	90.00%
June 30, 2018	111.63%	

The average LCR for the quarter ended June 30, 2020 was at 140.12% as against 132.43% for the quarter ended March 31, 2020, and well above the present prescribed minimum requirement of 80%. The average HQLA for the quarter ended June 30, 2020 was ₹3,413,645.4 million, as against ₹ 2,257,691 million for the quarter ended June 30, 2019. The composition of government securities and treasury bills in HQLA stood at 90%.

For the quarter ended June 30, 2020, derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted just about 0.3% and 2.1% respectively of average cash outflow. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As of June 30, 2020 the top 20 depositors comprised of 4% of total deposits indicating a healthy and stable deposit profile.