Qualitative disclosure around Liquidity Coverage Ratio (LCR)

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 requirement is binding on banks from January 1, 2015. LCR is to be maintained at 100%.

High Quality Liquid Assets (HQLA):

Under the standard, banks must hold a Stock of unencumbered HQLA to cover the total net cash outflows over 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 (16% of NDTL) & other securities as may be permitted by Reserve Bank of India from time to time.

Total net cash outflows:

Total expected cash out flows 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.

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 Asset Liability Management, Treasury Front Office, Budget and Planning etc. ALCO directives and ALM actions are implemented by the business groups and verticals.

The Bank during the quarter ended December 2024, maintained average HQLA of Rs. 85,384.35 crore after factoring eligible haircuts. HQLA is mainly driven by Level 1 Assets and comprises mainly of Government securities and T-bills which constitute more than 90% of HQLA as on 31st December 2024. The Bank has well diversified source of funds, which mainly comprise of deposits, with top 20 depositors contributing 10.94% of total deposits as on 31st December 2024.

The average LCR for the quarter ended December 2024 was at 126.39%, which is above the present prescribed minimum requirement of 100%

LCR Disclosure

₹ crore

Sr. No		December Quarter 2024		September Quarter 2024	
		Total Unweighted Value (average)	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
1	Total High Quality Liquid Assets (HQLA)		85,384.35		81,751.40
	Cash Outflow		-		-
2	Retail deposits and deposits from small business customers, of which:	1,41,808.68	13,935.02	1,43,543.46	13,923.44
(i)	Stable deposits	8,637.48	437.87	8,618.06	430.90
(ii)	Less stable deposits	1,33,171.20	13,497.15	1,34,925.40	13,492.54
3	Unsecured wholesale funding, of which:	1,04,458.93	64,351.72	99,375.56	59,792.33
(i)	Operational deposits (all counterparties)	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	1,02,174.89	62,067.68	97,755.54	58,172.31
(iii)	Unsecured debt	2,284.04	2,284.04	1,620.02	1,620.02
4	Secured wholesale funding		-		-
5	Additional requirements, of which	63,075.82	7,701.33	63,098.90	7,698.93
(i)	*Outflows related to derivative exposures and other collateral requirements*	*916.69*	*916.69*	*1,064.40*	*1,064.40*
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-
(iii)	*Credit and liquidity*	*62,159.13*	*6,784.64*	*62,034.49*	*6,634.53*
6	Other contractual funding obligations	5,713.31	5,713.31	6,842.21	6,842.21
7	Other contingent funding obligations	1,14,748.67	3,498.73	1,15,076.40	3,457.17
8	**Total Cash Outflows**		95,200.11		91,714.08
	Cash Inflows	-	-	-	-
9	Secured lending (e.g. reverse repos)	762.65	-	1,191.58	-
10	Inflows from fully performing exposures	7,743.92	3,902.16	7,826.05	3,913.02
11	Other cash inflows	24,038.98	23,743.46	22,838.92	22,538.92
12	**Total Cash Inflows**	32,545.55	27,645.62	31,856.55	26,451.94
			Total Adjusted Value		Total Adjusted Value
13	**TOTAL HQLA**		85,384.35		81,751.40
14	**Total Net Cash Outflows**		67,554.49		65,262.14
15	**Liquidity Coverage Ratio (%)**		**126.39%**		**125.27%**