RBL BANK
apno ka bank

Liquidity Coverage Ratio (LCR) – March 2017

Liquidity Coverage Ratio (LCR) is a global minimum standard for Bank's liquidity. The ratio aims to ensure that a bank has an adequate stock of unencumbered High - Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar days of severe liquidity stress scenario.

Bank monitors and measures LCR in accordance with the guidelines issued by Reserve Bank of India (RBI) on *Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards Based* and amendments thereto issued from small to time.

LCR became effective on January 1, 2015 with original minimum requirement of 60 per cent to be increased in equal annual increments of 10% to reach 100 per cent by January 1, 2019. For the calendar year ending December 31, 2016, minimum prescribed LCR was 70% which increased for 80% from January 1, 2017. LCR has to be computed based on simple average of monthly observations during the quarter. W.e.f. from January 1, 2017, LCR has to be computed based on simple average of daily observations during the quarter.

The LCR is a ratio of High Quality Liquid unencumbered Assets (HQLA) to total estimated net outflows over a stressed period of 30 calendar days.

The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows from assets maturing within 30 days.

The Bank has been maintaining HQLA (Level 1) primarily in the form of Excess CRR, SLR investments over and above mandatory requirement; and above apart from regulatory dispensation allowed up to 8% of NDTL (additional 3% effective February 16) in the form of borrowing limit available through Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). While, a small portion of HQLA (Level 2) is accounted with corporate bonds, debentures, Commercial Papers issued by Non-Financial Institutions which are rated AA- and above and rated BBB- to A+ as level 2A and 2B respectively.

SLR investments as well as Corporate Bond portfolio of the Bank considered for HQLA is well diversified across various instruments and Liquid Asset Type Mix and should provide the Bank with adequate and timely liquidity.

The Bank has not been maintaining HQLA in FCY given the lack of regulatory options as well as limited callable FCY liabilities. Further, the Bank believes that all inflows and outflows which might have a material impact under the liquidity stress scenario have been considered for the purpose of LCR.

The Board of Directors has the overall responsibility for management of liquidity risk. The Board at overall level decides the liquidity risk tolerance/limits and accordingly decides the strategy, policies and procedures of the Bank for managing liquidity risk.

The Board has constituted Risk Management Committee (RMC), which reports to the Board, and consisting of Chief Executive Officer (CEO)/Chairman and other Board members. The committee is responsible for evaluating overall risks faced by the Bank including liquidity risk. The potential interaction of liquidity risk with other risks is included in the risks addressed by the Risk Management Committee.

At the executive level, Asset Liability Management Committee (ALCO) ensures adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Bank. ALM team within Treasury function of the Bank is responsible for the day-to-day intra-day liquidity management.

ALCO of the Bank channelizes various business segments of the Bank to target good quality asset and liability profile to meet the Bank's profitability as well as Liquidity requirements with the help of robust MIS and Risk Limit architecture of the Bank.

Weighted Average LCR for quarter ending March 31, 2017, calculated based on simple average of daily observations from January 1, 2017 to March 31, 2017, is **101.96%,** which is comfortably above RBI prescribed minimum requirement of 80%.

											Amount in ₹ Crore
		Q4 - March 2017 (January 1, 2017 - March 31, 2017)		Q3 - Dec 2016		Q2 - Sep 2016		Q1 - June 2016		Q4 - March 2016	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)#	Total Weighted Value (average)#	Total Unweighted Value (average)$	Total Weighted Value (average)$	Total Unweighted Value (average)@	Total Weighted Value (average)@	Total Unweighted Value (average)^	Total Weighted Value (average)^
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)		5,851.71		5,771.43		4,737.13		4,518.93		3342.54
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:	9,430.33	935.03	8,479.89	840.41	7,311.06	724.67	6,239.06	617.97	5561.68	550.50
(i)	Stable deposits	160.01	8.00	151.57	7.58	128.79	6.44	118.66	5.93	113.24	5.66
(ii)	Less stable deposits	9,270.32	927.03	8,328.32	832.83	7,182.27	718.23	6,120.40	612.04	5448.44	544.84
3	Unsecured wholesale funding, of which:	11,599.88	5,650.74	11,601.14	6273.14	10940.24	6246.00	9332.42	5466.91	8371.89	4723.73
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	11,599.88	5,650.74	11,601.14	6,273.14	10,940.24	6,246.00	9,232.42	5,466.91	8371.89	4723.73
(iii)	Unsecured debt	-	-	-		-		-		-	-
4	Secured wholesale funding		-		-		-		-		
5	Additional requirements, of which	147.40	147.40	147.92	147.92	101.87	101.87	94.23	94.23	110.95	110.95
(i)	Outflows related to derivative exposures and other collateral requirements	57.13	57.13	65.43	65.43	25.93	25.93	-	-	6.98	6.98
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	448.99	58.52	478.59	74.90	-	-	-	-	-	-
7	Other contingent funding obligations	16,657.82	644.54	14,834.04	573.70	7,612.28	228.37	6,706.21	201.19	6,088.32	223.03
8	**Total Cash Outflows**		7,436.23		7,910.07		7,300.91		6,380.30		**5,608.21**
Cash Inflows											
9	Secured lending (e.g. reverse repos)	94.19	94.19	1.72	1.72	127.18	127.18	22.91	22.91	78.15	78.15
10	Inflows from fully performing exposures	1,827.24	913.61	1,605.39	802.70	1,510.29	755.14	1,657.73	828.86	1440.38	720.19
11	Other cash inflows	723.22	689.20	733.01	698.53	760.91	733.96	735.95	702.81	643.98	618.03
12	**Total Cash Inflows**	2,644.65	1,chies 697.00	2,340.12	1,502.95	2,398.38	1,616.28	2,416.59	1,554.58	2162.51	1416.37
		Total Adjusted Value									
21	**TOTAL HQLA**		5,851.71		5,771.43		4,737.13		4,518.93		3342.54
22	**Total Net Cash Outflows**		5,739.23		6,407.12		5,684.63		4,825.72		4,191.85
23	**Liquidity Coverage Ratio (%)**		**101.96**		**90.08**		**83.33**		**93.64**		**79.74**

* The average weighted and un-weighted amounts are calculated taking simple average of daily observations January 1, 2017 to March 31, 2017 figures.

The average weighted and un-weighted amounts are calculated taking simple average of October '16, November '16 and December '16 figures.

$ The average weighted and un-weighted amounts are calculated taking simple average of July'16, August'16 and September'16 figures.

@ The average weighted and un-weighted amounts are calculated taking simple average of April'16, May'16 and June'16 figures.

^ The average weighted and un-weighted amounts are calculated taking simple average of January'16, February'16 and March'16 figures.