

LIQUIDITY COVERAGE RATIO DISCLOSURE AS ON SEPTEMBER 30, 2020

ESAF Small Finance Bank adheres to RBI directives on Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring and the LCR Disclosure Standards that are applicable to Small Finance Banks in India. Liquidity Coverage Ratio (LCR) is a measure of bank's ability to withstand a potential liquidity stress scenario lasting for a period of 30 days by ensuring adequate stock of unencumbered High Quality Liquid Assets (HQLA).

LCR is defined as :
$$\frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Total Net Cash outflow over the next 30 calendar days}}$$

As per RBI directives, the minimum LCR to be maintained by the Bank as on 30th September 2020 is 90%. During the quarter ended September 2020 (July 2020 to September 2020), the Bank has maintained average LCR of 231.56%, which is above the prescribed minimum. The Bank is accordingly having adequate HQLAs to meet the estimated cash outflows for the next 30 days.

The Bank maintains 100% of the HQLA in Level 1 assets, consisting of Cash in hand, excess of CRR (Cash Reserve Ratio) and SLR (Statutory Liquidity Ratio) balances, Government Securities within the mandatory SLR requirement permitted by RBI under Marginal Standing Facility (MSF) (currently 3% of Net Demand & Term Liabilities) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) (presently 15% of Net Demand & Term Liabilities). Level 2 assets of HQLA consist of corporate bonds, debentures, commercial papers issued by non-financial institutions, classified further according to the rating of the non-financial institutions, into (i) 2A where the rating is 'AA-' and above, and (i) 2B where the rating ranges between 'A+' and 'BBB-'. As on 30th September 2020, the Bank does not maintain any portion of the HQLAs in Level 2 (2A or 2B) assets.

The liquidity risk management in the Bank is governed by the Asset Liability Management and Market Risk Management Policy. The Market Risk and Asset Liability Management Committee (MR-ALCO) is the executive level committee responsible for asset liability management process in the Bank. Bank's liquidity management is carried out by the Treasury Department, as per the directions of MR-ALCO. The Market Risk Division of the Risk Management Department (RMD) monitors the liquidity position of the Bank and appraises MR-ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors. The Liquidity Risk of the Bank is also assessed

through the Quarterly Internal Capital Adequacy Assessment Process (ICAAP) document and placed before the Risk Management Committee of the Board (RMCB) and the Board of Directors.

The following table details the average LCR of the Bank for quarter ended September 30, 2020.

(All amounts in ₹ Cr)

Particulars		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	2,452.09	2,452.09
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	6570.05	356.33
	i Stable deposits	6,013.59	300.68
	ii Less stable deposits	556.46	55.65
3	Unsecured wholesale funding, of which:	1,202.15	1,075.55
	i Operational deposits (all counterparties)	-	-
	ii Non-operational deposits (all counterparties)	-	-
	iii Unsecured debt	1,202.15	1,075.55
4	Secured wholesale funding	4.20	4.20
5	Additional requirements, of which	1.52	1.52
	i Outflows related to derivative exposures and other collateral requirements	-	-
	ii Outflows related to loss of funding on debt products	-	-
	iii Liabilities from maturing Asset-Backed Commercial Paper (ABCP), Structured Investment Vehicles (SIV), Special Purpose Vehicles (SPV) etc. assignments	1.52	1.52
6	Currently undrawn committed credit and liquidity facilities	28.16	9.28
7	Other contractual funding obligations	149.19	149.19
8	Other contingent funding obligations	1.29	0.04
9	Total Cash Outflows	7,956.56	1,596.11

Particulars		Total Unweighted Value (average)	Total Weighted Value (average)
Cash Inflows			
10	Secured lending (e.g. reverse repos)	0	0
11	Inflows from fully performing exposures	265.24	132.62
12	Other cash inflows	404.55	404.55
13	Total Cash Inflows	669.79	537.17
14	Total HQLA (a)	2,452.09	2,452.09
15	Total Net Cash Outflows (b)		1,058.94
16	Liquidity Coverage Ratio (%) (a/b)		231.56%

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