DISCLOSURE ON LIQUIDITY COVERAGE RATIO AS ON 31.03.2016

Liquidity Coverage Ratio (LCR) standard has been introduced with the objective that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (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.

LCR has been defined as:

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Liquid assets comprise of high quality assets that can be readily encashed or used as collateral to obtain cash in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while in Level 2, 2A assets are with a minimum 15% haircut and Level 2B Assets, with a minimum 50% haircut. The total net cash outflows is the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows 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 in up to an aggregate cap of 75% of total expected cash outflows.

Quantitative Disclosure: (Rs in crs)

		FY - 2015-16		Q4 - 2015-16	
LCR COMPONENTS		Total Unweighted Value (Avg)	Total Weighted Value(Avg)	Total Unweighted Value (Avg)	Total Weighted Value (Avg)
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	Total High Quality Liquid Assets(HQLA)		2,39,970		2,50,927
CASH OUTFLOWS					
2	Retail Deposits and deposits from small business customers, of which:				
(i)	Stable deposits	1,42,631	7,132	1,61,391	8,070
(ii)	Less Stable Deposits	10,66,580	1,06,658	11,26,491	1,12,649
3	Unsecured wholesale funding, of which:				
(i)	Operational deposits(all counterparties)	565	141	0	0
(ii)	Non-operational deposits (all counterparties)	3,77,180	2,27,113	3,72,702	2,27,461
(iii)	Unsecured debt	0	0	0	0
4	Secured wholesale funding	26,129	13	59,444	29
5	Additional requirements, of which				
(i)	Outflows related to derivative exposures and other collateral requirements	70,333	70,333	76,881	76,881
(ii)	Outflows related to loss of funding on debt products	0	0	0	0
(iii)	Credit and liquidity facilities	1,85,287	26,327	2,08,731	29,801
6	Other contractual funding obligations	12,445	12,445	14,283	14,283
7	Other contingent funding obligations	3,71,624	17,989	3,65,189	15,889
8	**TOTAL CASH OUTFLOWS**	22,52,774	4,68,151	23,85,112	4,85,063
CASH INFLOWS					
9	Secured lending (eg. Reverse repos)	3,324	0	312	0
10	Inflows from fully performing exposures	1,34,289	1,17,996	1,41,656	1,23,564
11	Other cash inflows	39,325	31,188	41,950	32,873
12	**TOTAL CASH INFLOWS**	1,76,938	1,49,184	1,83,918	1,56,437
13	TOTAL HQLA		2,39,970		2,50,927
14	TOTAL NET CASH OUTFLOWS		3,18,967		3,28,626
15	**LIQUIDITY COVERAGE RATIO (%)**		**75.23%**		**76.36%**

The above LCR disclosure template shows the average of the un-weighted and weighted value of LCR components for the State Bank of India including its Foreign Branches. The averages are computed based on the month-end values for;

a. the entire Financial Year 2015-16

b. the quarter ended March 2016

Both the positions are above the minimum 70% prescribed by RBI (60% upto December 2015 and 70% from 1st January 2016). Bank's LCR comes out to 75.23% based on average of twelve months (FY15-16) and 76.36% based on average of last three months (Q4 FY15-16). The average HQLA for the Q4 FY15-16 was Rs 250,927 crs, of which Level 1 assets constituted on an average 92% of total HQLA and cash, excess CRR, and 0% risk weighted Marketable securities issued/guaranteed by foreign sovereigns. Government securities consisting of 88% of Total Level 1 Assets. The net cash outflows position has gone up in the Q4 FY15-16 on account of growth of Balance Sheet size. Derivative exposures are considered insignificant due to almost matching inflows and outflows position. During the last quarter USD was the significant Foreign Currency which constituted more than 5% of the Balance Sheet of the Bank. Average USD LCR was 82% for Q4 FY15-16.
Liquidity Management in the Bank is driven by the ALM Policy, approved by the Bank's Board. The Domestic and International Treasuries are reporting to the Asset Liability Management Committee (ALCO). The ALCO has been empowered by the Bank's Board to formulate the Bank's funding strategies to ensure that the funding sources are well diversified and is consistent with the operational requirements of the Bank. All the major decisions of ALCO are being reported to the Bank's Board periodically. In addition to monthly LCR reporting, Bank prepares daily Structural Liquidity statements to assess the liquidity needs of the Bank on an ongoing basis. Further, Dynamic Liquidity Reports are also being prepared periodically to forecast liquidity requirements and to strategize accordingly.

The Bank has been maintaining HQLA mainly in the form of SLR investments over and above the mandatory requirements. Retail deposits constitute major portion of total funding sources, and such funding sources are well diversified. Management is of the view that the Bank has sufficient liquidity cover to meet its likely future short term requirements.