DISCLOSURE ON LIQUIDITY COVERAGE RATIO AS ON 31.12.2016

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

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. While Level 1 assets are with 0% haircut, Level 2A and Level 2 B assets are with 15% and 50% haircuts respectively. The total net cash outflow 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)

LCR COMPONENTS		Total Unweighted Value(Avg)	Total Weighted Value(Avg)
HIGH QUALITY LIQUID ASSETS (HQLA)			
1	Total High Quality Liquid Assets(HQLA)		4,49,193
CASH OUTFLOWS			
2	Retail Deposits and deposits from small business customers, of which:		
(i)	Stable deposits	1,91,139	9,557
(ii)	Less Stable Deposits	12,89,130	1,28,913
3	Unsecured wholesale funding, of which:		
(i)	Operational deposits(all counterparties)	0	0
(ii)	Non-operational deposits(all counterparties)	4,49,400	2,69,807
(iii)	Unsecured debt	0	0
4	Secured wholesale funding	29,241	0
5	Additional requirements, of which	0.00	
(i)	Outflows related to derivative exposures and other collateral requirements	1,36,539	1,36,539
(ii)	Outflows related to loss of funding on debt products	0	0
(iii)	Credit and liquidity facilities	69,000	9,763
6	Other contractual funding obligations	20,903	20,903
7	Other contingent funding obligations	4,76,156	17,127
8	**TOTAL CASH OUTFLOWS**	26,61,509	5,92,609
CASH INFLOWS			
9	Secured lending(eg. Reverse repos)	15,254	0
10	Inflows from fully performing exposures	2,37,226	2,20,232
11	Other cash inflows	50,040	40,192
12	**TOTAL CASH INFLOWS**	3,02,520	2,60,424
13	TOTAL HQLA		4,49,193
14	TOTAL NET CASH OUTFLOWS		3,32,185
15	**LIQUIDITY COVERAGE RATIO(%)**		135.22%

The LCR disclosure template shows the average of the un-weighted and weighted value of LCR components for three months of Q3 FY 16-17 for the State Bank of India including its Foreign Branches.

The LCR position is above the minimum 70% prescribed by RBI. Bank's LCR comes to 135.22% based on average of three months (Q3 FY16-17). The average HQLA was Rs 4,49,193 Crs, of which, Level 1 assets constituted 93.70% of total HQLA. Government securities constituted 96.67% of Total Level 1 Assets. The net cash outflow position has gone up on account of growth of Balance Sheet size. Derivative exposures are considered insignificant due to almost matching inflows and outflows position. During the quarter, LCR for USD (significant Foreign Currency constituting more than 5% of the Balance Sheet of the Bank) was 87.41% on an average.

Liquidity Management in the Bank is driven by the ALM Policy of the Bank and regulatory prescriptions. 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, which are well diversified. Management is of the view that the Bank has sufficient liquidity cover to meet its likely future short term requirements.