| Liquidity Coverage Ratio | | | | | | | | | (₹ millions) |
|---|---|---|---|---|---|---|---|---|---|
| | | Quarter ended March 31, 2022 | | Quarter ended December 31, 2021 | | Quarter ended September 30, 2021 | | Quarter ended June 30, 2021 | |
| **Particulars** | | **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) | | **3,868,419.2** | | **4,182,676.1** | | **4,018,267.1** | | **3,744,258.7** |
| **Cash Outflows** | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | **9,544,902.4** | **800,925.8** | **9,275,667.7** | **776,731.0** | **8,968,147.2** | **752,844.4** | **8,522,778.4** | **711,354.0** |
| (i) | Stable deposits | 3,071,288.6 | 153,564.4 | 3,016,714.9 | 150,835.7 | 2,879,407.2 | 143,970.4 | 2,818,476.0 | 140,923.8 |
| (ii) | Less stable deposits | 6,473,613.8 | 647,361.4 | 6,258,952.8 | 625,895.3 | 6,088,740.0 | 608,874.0 | 5,704,302.4 | 570,430.2 |
| 3 | Unsecured wholesale funding, of which: | **4,272,407.4** | **2,365,566.1** | **4,258,880.8** | **2,386,094.5** | **4,046,090.8** | **2,274,793.3** | **3,963,450.3** | **2,179,045.9** |
| (i) | Operational deposits (all counterparties) | 500,913.4 | 123,185.6 | 491,519.9 | 120,821.0 | 410,568.1 | 100,807.2 | 471,205.3 | 115,714.1 |
| (ii) | Non-operational deposits (all counterparties) | 3,618,340.6 | 2,089,227.1 | 3,649,336.4 | 2,147,249.0 | 3,564,200.1 | 2,102,663.5 | 3,427,233.8 | 1,998,320.6 |
| (iii) | Unsecured debt | 153,153.4 | 153,153.4 | 118,024.5 | 118,024.5 | 71,322.6 | 71,322.6 | 65,011.2 | 65,011.2 |
| 4 | Secured wholesale funding | | 29,252.3 | | 14,032.7 | | 26,963.6 | | 32,298.4 |
| 5 | Additional requirements, of which | **1,675,752.8** | **965,297.5** | **1,558,539.6** | **873,146.9** | **1,480,040.8** | **809,838.9** | **1,404,629.2** | **748,991.3** |
| (i) | Outflows related to derivative exposures and other collateral requirement | 847,029.1 | 847,029.1 | 759,339.0 | 759,339.0 | 691,656.2 | 691,656.2 | 639,371.2 | 639,371.2 |
| (ii) | Outflows related to loss of funding on debt products | - | - | - | - | - | - | - | - |
| (iii) | Credit and liquidity facilities | 828,723.7 | 118,268.4 | 799,200.6 | 113,807.9 | 788,384.6 | 118,182.7 | 765,258.0 | 109,620.1 |
| 6 | Other contractual funding obligation | 304,150.2 | 304,150.2 | 277,711.9 | 277,711.9 | 259,269.9 | 259,269.9 | 243,082.4 | 243,082.4 |
| 7 | Other contingent funding obligations | 6,343,055.6 | 294,458.2 | 6,039,619.1 | 281,133.5 | 5,952,762.9 | 278,177.8 | 4,373,981.4 | 199,172.2 |
| 8 | Total Cash Outflows | | **4,759,650.1** | | **4,608,850.5** | | **4,401,887.9** | | **4,113,944.2** |
| **Cash Inflows** | | | | | | | | | |
| 9 | Secured lending (e.g. reverse repo) | - | - | - | - | - | - | - | - |
| 10 | Inflows from fully performing exposures | 702,393.2 | 375,515.4 | 663,285.7 | 357,288.2 | 643,108.3 | 342,265.5 | 643,778.7 | 343,704.8 |
| 11 | Other cash inflows | 1,013,028.0 | 945,236.6 | 920,873.3 | 861,452.8 | 864,967.6 | 801,046.0 | 851,395.3 | 802,282.9 |
| 12 | Total Cash Inflows | **1,715,421.2** | **1,320,752.0** | **1,584,159.0** | **1,218,741.0** | **1,508,075.9** | **1,143,311.5** | **1,495,174.0** | **1,145,987.7** |
| | | | **Total Adjusted Value** | | **Total Adjusted Value** | | **Total Adjusted Value** | | **Total Adjusted Value** |
| 13 | TOTAL HQLA | | 3,868,419.2 | | 4,182,676.1 | | 4,018,267.1 | | 3,744,258.7 |
| 14 | Total Net Cash Outflows | | 3,438,898.1 | | 3,390,109.5 | | 3,258,576.4 | | 2,967,956.5 |
| 15 | Liquidity Coverage Ratio (%) | | **112.49%** | | **123.38%** | | **123.31%** | | **126.16%** |

** The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.*

HDFC BANK
We understand your world

The Liquidity Coverage Ratio (LCR) is one of the Basel Committee's key reforms to develop a more resilient banking sector. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario. The LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

The Liquidity Risk Management of the Bank is governed by the Asset Liability Management (ALM) Policy approved by the Board. The Asset Liability Committee (ALCO) is a decision-making unit responsible for implementing the liquidity and interest rate risk management strategy of the Bank in line with its risk management objectives and ensures adherence to the risk tolerance/limits set by the Board. In order to determine cash outflows, the Bank segregates its deposits into various customer segments, viz Retail (which include deposits from individuals), Small Business Customers (those with deposits upto ₹ 7.5 crore), and Wholesale (which would cover all residual deposits). Within Wholesale, deposits that are attributable to clearing, custody, and cash management services are classified as Operational Deposits. Other contractual funding, including a portion of other liabilities which are expected to run down in a 30 day time frame are included in the cash outflows. These classifications, based on extant regulatory guidelines, are part of the Bank's LCR framework, and are also submitted to the RBI.

The LCR is calculated by dividing a Bank's stock of HQLA by its total net cash outflows over a 30-day stress period. The guidelines for LCR were effective January 1, 2015, with the minimum requirement at 60% which have risen in equal annual steps to reach 100% on January 1, 2019. This graduated approach was designed to ensure that the LCR could be introduced without material disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity. The present requirement, as on March 31, 2022 is 100%.

In the Indian context, the run-off factors for the stressed scenarios are prescribed by the RBI, for various categories of liabilities (viz., deposits, unsecured and secured wholesale borrowings), undrawn commitments, derivative-related exposures, and offset with inflows emanating from assets maturing within the same time period. Given below is a table of run-off factors and the average LCR maintained by the Bank quarter-wise over the past two years:

| **Particulars** | **Run-off factors** |
|---|---|
| Retail Deposits | 5% - 10% |
| Small Business Customers | 5% - 10% |
| Operational deposits | 5% - 25% |
| Non-financial corporates, sovereigns, central banks, multilateral development banks, and PSEs | 40% |
| Other legal entities | 100% |

| Quarter ended | LCR Maintained (Average) | LCR Requirement# |
|---|---|---|
| March 31, 2022 | 112.49% | 100.00% |
| December 31, 2021 | 123.38% | |
| September 30, 2021 | 123.31% | |
| June 30, 2021 | 126.16% | |
| March 31, 2021 | 137.95% | 90.00% |
| December 31, 2020 | 145.58% | |
| September 30, 2020 | 153.22% | 80.00% |
| June 30, 2020 | 140.12% | |
| March 31, 2020 | 132.43% | 80.00% |

#As a measure to address the current pandemic situation, RBI had reduced the minimum LCR requirement from 100% to 80% which was to be gradually restored back in two phases, i.e., 90% by October 1, 2020 and 100% by April 1, 2021.

The average LCR for the quarter ended March 31, 2022 was at 112.49% as against 137.95% for the quarter ended March 31, 2021, and above the present prescribed minimum requirement of 100%. The average HQLA for the quarter ended March 31, 2022 was ₹ 3,868,419.2 million, as against ₹ 3,882,615.9 million for the quarter ended March 31, 2021. The composition of government securities and treasury bills in HQLA stood at 89%.

For the quarter ended March 31, 2022, derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted just about 0.6% and 2.5% respectively of average cash outflow. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As of March 31, 2022 the top 20 depositors comprised of 4% of total deposits indicating a healthy and stable deposit profile.

## Net Stable Funding Ratio (NSFR)

*(₹ millions)*

| | Particulars | Quarter ended March 31, 2022 | | | | | Quarter ended December 31, 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | Weighted value | Unweighted value by residual maturity | | | | Weighted value |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| **ASF Item** | | | | | | | | | | | |
| 1 | Capital: (2+3) | **2,685,547.3** | **-** | **-** | **75,792.5** | **2,761,339.8** | **2,641,967.8** | **-** | **-** | **59,098.5** | **2,641,967.8** |
| 2 | Regulatory capital | 2,685,547.3 | - | - | - | 2,685,547.3 | 2,582,869.3 | - | - | - | 2,582,869.3 |
| 3 | Other capital instruments | - | - | - | 75,792.5 | 75,792.5 | - | - | - | 59,098.5 | 59,098.5 |
| 4 | Retail deposits and deposits from small business customers: (5+6) | **5,565,416.4** | **4,582,441.2** | **-** | **-** | **9,298,259.7** | **5,190,435.8** | **4,511,429.5** | **-** | **-** | **8,890,113.8** |
| 5 | Stable deposits | 2,230,192.5 | 1,073,566.4 | - | - | 3,138,570.9 | 2,106,900.2 | 1,061,801.1 | - | - | 3,010,266.2 |
| 6 | Less stable deposits | 3,335,223.9 | 3,508,874.8 | - | - | 6,159,688.8 | 3,083,535.6 | 3,449,628.4 | - | - | 5,879,847.6 |
| 7 | Wholesale funding: (8+9) | **1,945,075.1** | **1,657,596.0** | **2,540,666.1** | **1,439,746.2** | **3,523,981.8** | **1,621,810.8** | **1,725,161.0** | **2,336,676.8** | **1,212,264.4** | **3,060,799.7** |
| 8 | Operational deposits | 727,649.2 | - | - | - | 363,824.6 | 614,919.4 | - | - | - | 307,459.7 |
| 9 | Other wholesale funding | 1,217,425.9 | 1,657,596.0 | 2,540,666.1 | 1,439,746.2 | 3,160,157.2 | 1,006,891.4 | 1,725,161.0 | 2,336,676.8 | 1,212,264.4 | 2,753,340.0 |
| 10 | Other liabilities: (11+12) | **599,393.5** | **61,101.7** | **1,020.4** | **69,898.5** | **-** | **456,105.6** | **62,992.2** | **25.6** | **63,215.8** | **-** |
| 11 | NSFR derivative liabilities | | - | - | - | | | - | - | - | |
| 12 | All other liabilities and equity not included in the above categories | 599,393.5 | 61,101.7 | 1,020.4 | 69,898.5 | - | 456,105.6 | 62,992.2 | 25.6 | 63,215.8 | - |
| **13** | **Total ASF (1+4+7+10)** | | | | | **15,583,581.3** | | | | | **14,592,881.3** |

| RSF Item | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 14 | Total NSFR high-quality liquid assets (HQLA) | | | | | 226,136.8 | | | | | 211,729.0 |
| 15 | Deposits held at other financial institutions for operational purposes | 76,967.3 | 28,431.4 | 546.2 | 18.1 | 52,834.1 | 86,304.1 | 25,160.5 | 1,090.8 | 18.1 | 56,143.2 |
| 16 | Performing loans and securities: (17+18+19+21+23) | **26.4** | **309,842.2** | **4,439,800.0** | **9,647,451.4** | **10,169,948.5** | **26.4** | **316,563.6** | **4,144,616.9** | **8,792,657.2** | **9,308,606.2** |
| 17 | Performing loans to financial institutions secured by Level 1 HQLA | - | - | - | - | - | - | - | - | - | - |
| 18 | Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 196,401.9 | 153,499.9 | 163.5 | 107,749.2 | - | 208,013.6 | 118,137.0 | 113.9 | 91,767.4 |
| 19 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which: | - | 113,440.3 | 4,286,300.1 | 8,547,890.4 | 9,277,582.6 | - | 108,550.0 | 4,026,479.9 | 7,710,413.9 | 8,439,410.2 |
| 20 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | - | - | - | 1,213,986.4 | 789,091.2 | - | - | - | 1,179,612.1 | 766,747.8 |
| 21 | Performing residential mortgages, of which: | - | - | - | 749,469.3 | 487,155.0 | - | - | - | 712,019.4 | 462,812.6 |
| 22 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | - | - | - | 749,469.3 | 487,155.0 | - | - | - | 712,019.4 | 462,812.6 |
| 23 | Securities that are not in default and do not qualify as HQLA, including exchange traded equities | 26.4 | - | - | 349,928.2 | 297,461.5 | 26.4 | - | - | 370,110.0 | 314,616.0 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 24 | Other assets:<br>(sum of rows 25 to 29) | **1,110,925.0** | **37,499.6** | **1,287.1** | **623,585.6** | **1,764,178.4** | **919,484.3** | **36,481.2** | **1,041.8** | **567,766.1** | **1,518,275.0** |
| 25 | Physical traded commodities, including gold | - | - | - | - | - | - | - | - | - | - |
| 26 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | 60,792.3 | - | - | - | 51,673.4 | 43,322.3 | - | - | - | 36,823.9 |
| 27 | NSFR derivative assets | 7,670.8 | - | - | - | 7,670.8 | 1,297.6 | - | - | - | 1,297.6 |
| 28 | NSFR derivative liabilities before deduction of variation margin posted | 2,762.3 | - | - | - | 2,762.3 | 2,947.2 | - | - | - | 2,947.2 |
| 29 | All other assets not included in the above categories | 1,039,699.6 | 37,499.6 | 1,287.1 | 623,585.6 | 1,702,071.9 | 871,917.2 | 36,481.2 | 1,041.8 | 567,766.1 | 1,477,206.3 |
| 30 | Off-balance sheet items | 7,660,325.9 | - | - | 19,423.7 | 354,794.0 | 7,382,497.3 | - | - | 15,822.8 | 340,807.2 |
| 31 | Total RSF (14+15+16+24+30) | | | | | **12,567,891.6** | | | | | **11,435,560.4** |
| 32 | Net Stable Funding Ratio (%) | | | | | **124.00%** | | | | | **127.61%** |

The Net Stable Funding Ratio (NSFR) is a significant component of the Basel III reforms. 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 regard, the Basel III rules text on liquidity – “Basel III: International framework for liquidity risk measurement, standards and monitoring” was issued in December 2010 which presented the details of global regulatory standards on liquidity. Two minimum standards, viz., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for funding liquidity were prescribed by the Basel Committee for achieving two separate but complementary objectives. The NSFR promotes resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis.

The Liquidity Risk Management of the Bank is governed by the Asset Liability Management (ALM) Policy approved by the Board. The Asset Liability Committee (ALCO) is a decision-making unit responsible for implementing the liquidity and interest rate risk management strategy of the Bank in line with its risk management objectives and ensures adherence to the risk tolerance/limits set by the Board.

The guidelines for NSFR were effective from October 1, 2021. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. “Available stable funding” (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.