

LCR – Disclosure for Financial Year 2016-17

Liquidity Coverage Ratio (LCR) standard is introduced to test the liquidity resilience of the Bank, for a minimum stress period of 30 days. The standard ensures, the Bank maintains adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash to meet liquidity needs (net cash-out flows). The LCR is defined as:

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

The minimum LCR requirement for the calendar year 2016 was 70 per cent and is stepped up to 80 per cent for the calendar year 2017. LCR requirement will be further, stepped up 10 per cent annually to reach 100 per cent by 1st January 2019.

HQLA comprises of Level 1 (0% hair-cut), Level 2A (15% hair-cut) and Level 2B assets (50% hair-cut). Level 1 assets comprising of cash, excess CRR, excess SLR securities, government securities to the extent allowed by RBI under Marginal Standing Facility (MSF) [presently 2 per cent of the Bank's NDTL] and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [presently 9 per cent of the Bank's NDTL].

Level 2A assets comprises of sovereign guaranteed marketable securities, corporate bonds or commercial papers which are rated AA+ and more are issued other than by financial institutions. Level 2B assets include investments in common equity shares included in NSE CNX Nifty and/or S&P BSE Sensex indices.

Expected net cash outflows under stress are the weighted sum of outflows minus inflows in the next 30 days. Funding from retail and small business customers carries lower run-off factor as compared to wholesale funding.

The prime drivers of the LCR are the level of surplus SLR held by the Bank and the proportion of retail and wholesale funding source.

Weighted Level 1 assets of the Bank constitutes around 95 per cent of the total HQLA, and the remaining 5 per cent comprises of Level 2A and Level 2B assets. Excess SLR securities (part of level 1 assets) forms around 30 per cent of the total HQLA.

Over the period the Bank reduced dependency on the wholesale deposits including certificate of deposits by increasing the share of retail (individual) deposits including CASA. The share of retail deposits to total domestic deposits increased from 48 per cent (March 2016) to 56 per cent (March 2017). The increased share of retail deposits marks the stability in the funding profile of the Bank, reducing the liquidity outflows under stress.

Under wholesale category, the Bank has separate deposits product with no premature withdrawal option (non-callable) to limit any funds outflows over the next 30 days.

During the FY 2016-17, the LCR of the Bank remained above the minimum requirement on all observed counts. The LCR moved up year on year from average of 84.92% (FY2015-16) to 110.02% (FY 2016-17). This was contributed on account of increased share of retail deposits (reducing the cash outflows), more realizable inflows within 30 days and higher HQLA.

Quarter on quarter, the LCR (3 months average) of the Bank increased from 91.33% (June'16) to 99.74% (September'16) and to 115.42% (December'16).

For the quarter ending March 2017, the Bank has commenced the computation of the LCR on a daily basis. The LCR at 134.25% for quarter ending March 2017 is based on the daily average, covering 70 data points.

The LCR shows marked increase in December 2016 and March 2017 quarter, mainly on account of increase in retail deposits with withdrawal of Specified Bank Notes (SBNs) by the Government of India w.e.f., 9th November 2016.

The impact of derivative exposure, potential collateral calls and currency mismatch on the LCR of the Bank remained insignificant.

Bank's wholly owned banking subsidiary "Canara Bank Tanzania Ltd." started its operation in May 2016, and is consolidated for disclosure of consolidated LCR.

Disclosure - Liquidity Coverage Ratio (LCR) 2016-17

₹ In Crore

Particulars		FY 2016-17 (Solo-Basis)		FY 2015-16 (Solo-Basis)		Quarter Ended March 2017 (Solo Basis)		FY 2016-17 (Consolidated)	
		Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		87,616.68		77,186.04		1,00,644.82		87,616.68
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	2,67,438.54	22,600.09	2,35,838.02	20,037.78	2,84,255.19	23,918.02	2,67,454.35	22,601.68
(i)	Stable Deposits	82,875.20	4,143.76	70,920.44	3,546.02	90,149.98	4,507.50	82,875.20	4,143.76
(ii)	Less Stable Deposits	1,84,563.33	18,456.33	1,64,917.58	16,491.76	1,94,105.21	19,410.52	1,84,579.15	18,457.91
3	Unsecured wholesale funding, of which:	1,10,649.58	65,105.56	1,20,248.60	70,308.92	1,11,162.15	66,034.78	1,10,650.57	65,105.95
(i)	Operation Deposits (all counterparties)	0.00	0.00	8.59	0.43	0.00	0.00	0.00	0.00
(ii)	Non-operation Deposits (all counterparties)	1,08,722.19	63,178.17	1,16,941.26	67,009.74	1,09,237.57	64,110.21	1,08,723.17	63,178.56
(iii)	Unsecured Debt	1,927.39	1,927.39	3,298.75	3,298.75	1,924.57	1,924.57	1,927.39	1,927.39
4	Secured Wholesale Funding	4,187.18	789.55	5,692.00	3,870.81	4,829.65	242.40	4,187.18	789.55
5	Additional Requirements, of which	39,716.88	14,329.79	42,610.89	12,448.87	28,512.89	2,483.87	39,719.26	14,329.91
(i)	Outflows related to derivative exposures and other collateral requirements	0.00	0.00	0.84	0.84	0.00	0.00	0.00	0.00
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(iii)	Credit and liquidity facilities	39,716.88	14,329.79	42,610.05	12,448.03	28,512.89	2,483.87	39,719.26	14,329.91
6	Other Contractual Funding Obligations	616.29	616.29	478.26	478.26	453.10	453.10	616.29	616.29
7	Other Contingent Funding Obligations	76,896.07	2,568.07	62,107.45	3,007.53	1,06,493.01	3,975.81	76,896.07	2,568.07
8	Total Cash Outflows	4,99,504.55	1,06,009.36	4,66,975.22	1,10,152.17	5,35,705.99	97,107.97	4,99,523.73	1,06,011.46
Cash Inflows									
9	Secured Lending (e.g. reverse repos)	3,844.84	0.00	545.66	0.00	6,773.68	0.00	3,844.84	0.00
10	Inflows from Fully Performing Exposures	33,844.10	25,794.57	27,612.99	18,123.49	28,749.55	21,971.81	33,844.82	25,794.93
11	Other Cash Inflows	869.23	579.85	1,251.13	1,135.18	462.77	166.54	869.23	579.85
12	Total Cash Inflows	38,558.17	26,374.42	29,409.79	19,258.68	35,986.00	22,138.35	38,558.89	26,374.77
Total Adjusted Value									
13	Total HQLA		87,616.68		77,186.04		1,00,644.82		87,616.68
14	Total Net Cash Outflows		79,634.95		90,893.49		74,969.63		79,636.68
15	Liquidity Coverage Ratio (%)		110.02%		84.92%		134.25%		110.02%



