Liquidity Coverage Ratio: December 31, 2024

The essential role of banks is to attract savings (deposits) and lend it to others. The management of this activity generates a benefit but also entails that the bank holds necessary liquidity to meet the cash needs of those who have deposited their money with the bank.

To mitigate this risk, the Basel committee has designed the Liquidity Coverage Ratio (LCR) to ensure that financial institutions have sufficient liquidity to meet their short-term obligations, absorb shocks arising from financial and economic stress, improve risk management and governance, and strengthen banks' transparency and disclosures. The objective of the Liquidity Coverage Ratio (LCR) is aimed at measuring and promoting short-term resilience of banks to potential liquidity disruptions by ensuring maintenance of sufficient unencumbered high quality liquid assets (HQLAs) to survive net cash outflows over next 30 days under stress conditions.

LCR is the percentage resulting from dividing the bank's stock of unencumbered high-quality liquid assets by the estimated total net cash outflows over a 30 calendar day stress scenario.

The HQLA, follow the RBI defined set of eligibility criteria that considers fundamental and market-related characteristics, and the ability to generate liquidity from such assets on a timely basis during a period of stress. The portfolio of HQLA is centrally managed by the Bank Treasury, to be well above the regulatory requirements, while continuously assessing risks to market funding conditions and its liquidity position and taking actions to manage the size of the liquidity pool as appropriate.

High quality liquid assets (HQLA) under LCR are divided into two parts:

- Level 1: comprises primarily of Cash, excess CRR balances, investments in SLR in excess of the regulatory requirement, RBI Standing Deposit Facility (SDF) and a portion of mandatory SLR as permitted by RBI (under MSF and FALLCR); and
- Level 2: comprises investments in highly rated non-financial corporate bonds and listed equity investments, considered at prescribed haircuts.

The calculation of net cash outflow incorporates prescribed standardized outflow and inflow rates. Cash Outflow / Inflow for the next 30 days is reckoned by applying the run-off factors / weights – as prescribed by RBI, on various liability & asset pools of the Bank – both on balance sheet and off balance sheet items. The run-off factors are stipulated basis customer categories and nature of liability / asset. Total net cash outflows are defined as the total expected cash outflows minus total expected cash inflows (up to an aggregate cap of 75% of total expected cash outflows).

The minimum LCR requirement is 100%. The daily calculation of LCR is evaluated against the minimum and in the event that it falls below the threshold on any given business day, the Bank is required to notify the Reserve Bank of India (RBI) and prepare LCR restoration plans for scrutiny by the Department of Supervision, RBI.

Kotak Mahindra Bank Limited (KMBL) has implemented LCR framework for both Standalone Bank as well as for the Group on a consolidated basis since January, 2016. KMBL manages LCR to be above the regulatory threshold - reflecting our liquidity risk tolerance and takes into account business mix, asset composition and funding capabilities.

The Bank maintains LCR as per regulatory stipulations at its International branches in accordance with extant regulations.

The daily average LCR for the quarter ended December 31, 2024 at consolidated level was at 132.30%, which is above the regulatory minimum threshold of 100%. The following table sets out average LCR of the Bank (Consolidated) for the quarter ended December 31, 2024, September 30, 2024 and June 30, 2024.

(Amt in INR million)

			Average Q3 2024-2025		Average Q2 2024-2025		Average Q1 2024-2025	
High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)			1,416,253		1,356,485		1,338,223
Cash Outflows								
2	Retail deposits and deposits from small business customers, of which:							
	(i)	Stable deposits	418,201	20,910	412,097	20,605	412,305	20,615
	(ii)	Less stable deposits	2,270,502	227,050	2,200,994	220,099	2,113,038	211,304
3	Unsecured wholesale funding, of which :							
	(i)	Operational deposits (all counterparties)						
	(ii)	Non-operational deposits (all counterparties)	1,385,452	866,814	1,328,161	855,713	1,305,021	816,358
	(iii)	Unsecured debt	120,375	120,013	104,602	103,790	89,091	88,568
4	Secured wholesale funding			8,212		6,931		6,821
5	Additional requirements, of which							
	(i)	Outflows related to derivative exposures and other collateral requirements	370,199	370,199	342,681	342,681	334,945	334,945
	(ii)	Outflows related to loss of funding on debt products						
	(iii)	Credit and liquidity facilities	40,802	4,332	34,670	3,558	31,804	3,243
6	Other contractual funding obligations		90,756	90,756	88,431	88,431	85,494	85,494
7	Other contingent funding obligations		2,235,500	100,683	2,234,459	100,790	2,197,236	98,833
8	**Total Cash Outflows**			**1,808,970**		**1,742,597**		**1,666,181**
Cash Inflows								

9	Secured lending (e.g. reverse repos)	36,300	7	52,923	100	77,206	28
10	Inflows from fully performing exposures*	846,255	730,712	850,387	737,427	806,738	694,587
11	Other cash inflows	15,517	7,758	14,216	7,108	19,762	9,881
12	**Total Cash Inflows**	**898,072**	**738,478**	**917,526**	**744,635**	**903,705**	**704,497**
13	**TOTAL HQLA**		**1,416,253**		**1,356,485**		**1,338,223**
14	**Total Net Cash Outflows**		**1,070,492**		**997,962**		**961,684**
15	**Liquidity Coverage Ratio (%)**		**132.30%**		**135.93%**		**139.15%**

*Incl. Derivative inflows