

LIQUIDITY COVERAGE RATIO

ESAF Small Finance Bank adheres to the RBI directives on Liquidity Coverage Ratio (LCR), liquidity risk monitoring and the LCR disclosure standards that are applicable. Liquidity Coverage Ratio (LCR) is a measure of bank's ability to withstand a potential liquidity stress scenario lasting for a period of 30 days by ensuring adequate stock of unencumbered High-Quality Liquid Assets (HQLA).

LCR is defined as:
$$\frac{\text{Stock of High-Quality Liquid Assets (HQLA)}}{\text{Total Net Cash outflow over the next 30 calendar days}}$$

As per RBI directives, the minimum LCR to be maintained by the Bank is 100%. During the quarter end 30th September 2025, the Bank has maintained average LCR of 132.07%, which is above the prescribed minimum. The Bank is accordingly having adequate HQLAs to meet the estimated cash outflows for the next 30 days, under a stressed scenario.

As on 30th September 2025, the Bank maintains 99.82% of the HQLA in Level 1 assets, consisting of Cash in hand, excess of CRR (Cash Reserve Ratio) and SLR (Statutory Liquidity Ratio) balances, Government Securities within the mandatory SLR requirement permitted by RBI under Marginal Standing Facility (MSF) (currently 2% of Net Demand & Term Liabilities) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) (presently 16% of Net Demand & Term Liabilities). Level 2 assets of HQLA consist of corporate bonds, debentures, commercial papers, securities issued by non-financial institutions, classified further according to the rating of the non-financial institutions, into (i) 2A where the rating is 'AA-' and above, and (i) 2B consisting of securities with the rating ranging between 'A+' and 'BBB-' and Common equity shares not issued by Banks/FI/NBFC or its affiliates listed in NSE CNX Nifty/S&P BSE Sensex indices. As on 30th September 2025, the Bank maintains about 0.18% of the HQLAs in Level 2 Assets (only 2B assets consisting of Common Equity shares not issued by Banks/FI/NBFC and listed in NSE Nifty / BSE Sensex).

The liquidity risk management in the Bank is governed by the Liquidity Risk Management Policy approved by the Board. The Bank is monitoring the liquidity position on a continuous basis to initiate appropriate actions, wherever warranted, to ensure that liquidity risk is within the Risk Appetite set by the Board. Liquidity risk of the Bank is assessed through the Internal Capital Adequacy Assessment Process (ICAAP) every quarter.

The following table details the average LCR of the Bank for quarter ended September 30, 2025.

(All amounts in ₹ Cr)

Particulars (Rs. In Crore)		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		4,622.80
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	17698.01	1769.80
i	Stable deposits	-	-
ii	Less stable deposits	17,698.01	1,769.80
3	Unsecured wholesale funding, of which:	1796.41	1667.54
i	Operational deposits (all counterparties)	-	-
ii	Non-operational deposits (all counterparties)	-	-
iii	Unsecured debt	1,796.41	1,667.54
4	Secured wholesale funding	-	-
5	Additional requirements, of which	221.83	26.46
i	Outflows related to derivative exposures and other collateral requirements	-	-
ii	Outflows related to loss of funding on debt products	-	-
iii	Credit and liquidity facilities	219.31	23.94
6	Other contractual funding obligations	430.81	430.81
7	Other contingent funding obligations	1.57	0.05
	Total Cash Outflows		3,894.66
Cash Inflows			
8	Secured lending (e.g. reverse repos)	-	-
9	Inflows from fully performing exposures	711.73	355.86
10	Other cash inflows	38.41	38.41
	Total Cash Inflows	750.14	394.27
11	Total HQLA (a)	4622.8	4622.8
12	Total Net Cash Outflows (b)		3500.39
13	Liquidity Coverage Ratio (%) (a/b)		132.07%

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