

Liquidity Coverage Ratio: September 30, 2025

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 outflows and inflows of derivative exposures in the next 30 calendar days are included in the LCR calculations. Further, historical look back approach is considered to arrive at an expected outflow related to market valuation changes. The largest absolute net 30-day collateral flow realized during the preceding 24 months is taken as outflow for LCR calculation.

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 September 30, 2025 at consolidated level was at 132.20%, which is above the regulatory minimum threshold of 100%. The following table sets out average LCR of the Bank (Consolidated) for the quarter ended September 30, 2025 and June 30, 2025. The table below highlights the intra period changes as well as changes over time in LCR values.

The decrease in LCR as compared to previous quarter is largely due to increase in non-operational deposits and unsecured debt with higher run-off factor, which form part of net cash outflows.

(Amt in INR million)

		Average* Q2		Average* Q1	
		2025-2026		2025-2026	
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)		1,454,297		1,404,901
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:				
	(i) Stable deposits	576,897	28,845	552,592	27,630
	(ii) Less stable deposits	2,367,163	236,716	2,290,917	229,092
3	Unsecured wholesale funding, of which :				
	(i) Operational deposits (all counterparties)				
	(ii) Non-operational deposits (all counterparties)	1,604,362	976,994	1,521,193	918,477
	(iii) Unsecured debt	115,160	114,980	95,123	94,906
4	Secured wholesale funding		8,465		7,572
5	Additional requirements, of which				
	(i) Outflows related to derivative exposures and other collateral requirements	250,652	250,652	177,257	177,257
	(ii) Outflows related to loss of funding on debt products				
	(iii) Credit and liquidity facilities	37,381	4,395	39,504	4,613
6	Other contractual funding obligations	99,695	99,695	88,078	88,078
7	Other contingent funding obligations	2,593,061	115,808	2,433,331	109,092
8	Total Cash Outflows		1,836,550		1,656,717
Cash Inflows					
9	Secured lending (e.g. reverse repos)	28,211	8	1,262	12
10	Inflows from fully performing exposures*	871,850	729,865	768,596	634,191
11	Other cash inflows	13,227	6,613	14,222	7,111
12	Total Cash Inflows	913,288	736,486	784,080	641,314
13	TOTAL HQLA		1,454,297		1,404,901
14	Total Net Cash Outflows		1,100,063		1,015,402
15	Liquidity Coverage Ratio (%)		132.20%		138.36%

*Incl. Derivative inflows + Average of all days except holidays