

Liquidity Coverage ratio (LCR)

Liquidity Coverage Ratio has been prescribed by RBI based on LCR Standards published by Basel Committee on Banking Supervision (BCBS). The LCR promotes short term resilience of Banks to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Assets (HQLAs) to survive an acute stress scenario in the immediate 30 days period.

LCR is defined as

$$\frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100 \%$$

The LCR standard aims to ensure that a Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for the next 30 days period under a significantly severe liquidity stress scenario specified by RBI.

The LCR guidelines was made effective from 01.01.2015 with a minimum requirement of 60% which was increased annually by 10% to reach a level of 100% as at 01.01.2019. As part of the COVID-19 financial measures by RBI, the LCR requirement for Scheduled Commercial Bank was brought down from 100% to 80% from 17.04.2020. Subsequently, the requirement was gradually restored 100% in two phases – 90% in October 1, 2020 and 100% effective from April 1, 2021.

The present requirement of LCR as at 30th Sep, 2024 is 100%. The bank prepares LCR on a daily basis and assess the liquidity position on an ongoing basis. The LCR position is made available in Bank's website on a quarterly basis in prescribed format in addition to the annual disclosure in notes to accounts. The disclosure in prescribed format is given below:

Qualitative disclosures on LCR:

- **Composition:** The main drivers of the LCR is High Quality Liquid Assets (HQLA) which can be easily converted into cash and consists of Cash in hand, Excess CRR balance as on that particular day, Government Securities in excess of minimum SLR requirement, Government Securities within the mandatory SLR requirement to the extent allowed by



RBI under MSF (Presently to the extent of 2.00% of NDTL as allowed for MSF), Facility to avail liquidity for liquidity coverage ratio at 16.00% of NDTL. Level 1 assets are main drivers of HQLA.

- Concentration of funding sources: Deposits are the main funding sources of the bank.
- Currency mismatches in LCR: The bank does not have any HQLA in foreign currency and accordingly LCR is reported in single currency only.
- The bank does not have any subsidiary / associates and does not belong to any Group.
- The Bank has a well-diversified funding portfolio. Retail deposits, considered as stable is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.
- The Liquidity risk management in the Bank is guided by the ALM Policy. The Bank's Liquidity management is centralized at Treasury, Chennai as per the directions of ALCO.

The Bank has been maintaining the LCR above 100% (which is the minimum requirement prescribed by RBI). RBI undertook a supervisory assessment of LCR computation of all Bank's under section 35 A (1) of BR act, 1949. An assessment for our Bank was conducted during 8-9th of May 24 and a report was submitted during June'24. Based on the revised methodology the LCR is being computed since 30.06.2024 and based on the average of 90 days from July 1st 2024 to Sep 30th, 2024 the LCR is arrived and the disclosure template for the half year ended Sep 2024 is given below.



CITY UNION BANK

(Rs in cr)

LCR Disclosure Template for the Quarter ended Sep -2024			
	High Quality Liquid Assets	Total Unweighted Value (Avg)	Total Weighted Value (Avg)
1	Total High Quality Liquid Assets (HQLA)	14229.52	
Cash Outflows			
2	Retail Deposits and deposits from small business customers, of which:	33935.85	2696.44
	(i) Stable Deposits	13942.86	697.14
	(ii) Unstable Deposits	19992.99	1999.30
3	Unsecured Wholesale funding	17339.55	8864.75
	(i) Operational Deposits (all counterparties)	0.00	0.00
	(ii) Non-operational deposits (all counterparties)	17339.55	8864.75
	(iii) Unsecured debt	0.00	0.00
4	Secured Wholesale funding	2714.97	0.00
5	Additional requirements	7088.76	945.93
	(i) Outflows related to derivative exposures and other collateral requirements	484.99	484.99
	(ii) Outflows related to loss of funding on debt products	0.00	0.00
	(iii) Credit and liquidity facilities	6603.77	460.94
6	Other Contractual Funding Obligations	1259.57	1259.57
7	Other Contingent funding Obligations	1999.76	59.99
8	TOTAL CASH OUTFLOWS	64338.46	13826.68
Cash Inflows			
9	Secured Lending	6.59	0.00
10	Inflows from fully performing exposures	319.15	159.58
11	Other Cash Inflows	2221.39	1445.67
12	Total Cash Inflows	2547.13	1605.25
		Total adjusted value	
13	TOTAL HQLA	14229.52	
14	TOTAL NET CASH OUTFLOWS	12221.43	
15	LIQUIDITY COVERAGE RATIO (%)	116.43%	