DCB BANK

Basel III Disclosure Liquidity Coverage Ratio

<u>Liquidity Coverage Ratio: March 31, 2024.</u>

The Bank maintains Liquidity Coverage Ratio (LCR) which is a ratio of High-Quality Liquid Assets (HQLA) to Expected Net Cash Outflow over the next 30 calendar days, as per the RBI guidelines. Banks, in India, are required to meet the minimum required level of 100% LCR. The LCR is being computed and monitored on daily simple average basis. The objective of the LCR is to ensure that the Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar daytime horizon under a significantly severe liquidity stress scenario specified by supervisors. Further at a minimum, the stock of liquid assets should enable the Bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken. The numerator, High Quality Liquid Assets comprises mainly of excess SLR securities, cash, excess CRR balances, Marginal Standing Facility ('MSF') to the extent of 2 per cent of Net Demand and Time Liabilities ('NDTL'), Standing Deposit Facility ('SDF') as guided by the RBI Circular and Facility to Avail Liquidity for Liquidity Coverage Ratio ('FALLCR') up to 16 per cent of NDTL, as guided by the RBI Circular dated April 18, 2022. The denominator i.e. cash outflow over next 30 days comprises mainly of the deposit maturities and other cash outflows net of cash inflows in next 30 day period. As a part of its strategy to manage the liquidity requirements, the Bank has been consistently investing in SLR securities of about 2% to 5% of its NDTL, over and above the regulatory SLR requirement. HQLA of the Bank comprises of mainly Level-1 assets as per the RBI guidelines i.e. government securities apart from cash, SDF and excess CRR. The major source of funding for the Bank is retail deposits. The Bank does not rely on interbank borrowings. However, long term refinance from SIDBI, NABARD and NHB is availed against eligible loan assets. Further, the Bank has committed lines of credit from select public and private sector banks and Foreign Currency Borrowings from private sector bank. The Bank has been following retail deposit led funding strategy consistently over a decade.

The Bank does not have any derivative exposure other than the forward contracts entered by the Bank which does not affect LCR of the Bank significantly. Apart from computing the LCR in the domestic currency, the Bank is also required to compute LCR in the currency in which aggregate liabilities denominated in that currency amount to 5 per cent or more of the Bank's total liabilities. To comply with the said requirement, the Bank computes the LCR in USD. The liquidity management of the Bank is centralized at Treasury. Treasury Front Office shall, depending upon the expected outflows and inflows for the day, decide to borrow or lend to maintain optimal liquidity. Treasury Back Office monitors the expected inflows and outflows by way of maintaining a register which records the expected outflows and inflows that are informed in advance by the branches as well as by Treasury Front Office before making any investment. For this purpose, branches are required to inform the Treasury Back Office in advance of any expected large flows above Rs. 5 crore. Also, Treasury Back Office takes into account the deposits that are scheduled to mature in order to arrive at the expected cash outflows for that particular day. As a part of effective liquidity management, the Bank always maintains excess SLR securities which can be pledged to meet the shortfall in intraday liquidity, if any

The following table sets out average LCR of the Bank for the quarter ended March 31, 2024:

(Rs. million)

		Q4 FY 2023-24	
		Total Unweighted Value (Average)	**Total Weighted Value (Average)**
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		113,721.4
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	305,044.3	26,464.1
(i)	Stable Deposits	80,806.2	4,040.3
(ii)	Less Stable Deposits	224,238.1	22,423.8
3	Unsecured wholesale funding, of which:	89,794.0	65,411.2
(i)	Operational deposits (all counterparties)	0.0	0.0
(ii)	Non-operational deposits (all counterparties)	40,638.1	16,255.3
(iii)	Unsecured debt	49,155.9	49,155.9
4	Secured wholesale funding		0.0
5	Additional requirements, of which	49,624.9	17,340.5
(i)	Outflows related to derivative exposures and other collateral requirements	13,790.3	13,790.2
(ii)	Outflows related to loss of funding on debt products	0.0	0.0
(iii)	Credit and liquidity facilities	35,834.6	3,550.3
6	Other contractual funding obligations	8,045.5	8,045.5
7	Other contingent funding obligations	24,736.8	919.6
8	**Total Cash Outflows**		118,180.9
Cash Inflows			
9	Secured lending (e.g. reverse repos)	80.2	0.0
10	Inflows from fully performing exposures	13,009.2	9,285.0
11	Other cash inflows	17,092.3	14,644.4
12	**Total Cash Inflows**	30,181.7	23,929.4
			Total Adjusted Value
	TOTAL HQLA		113,721.4
	Total Net Cash Outflows		94,251.5
	Liquidity Coverage Ratio (%)		120.66%