Tamilnad Mercantile Bank Ltd,
Risk Management Department, Head Office, Thoothukudi
Liquidity Coverage Ratio

LCR Disclosures

Quantitative information on Liquidity Coverage Ratio (LCR) for the quarter ended December 31, 2023 is given below:

The Liquidity Coverage Ratio (LCR) is one of the Basel Committee's key reforms to develop a more resilient banking sector. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately into cash to meet their liquidity needs for a 30 calendar days liquidity stress scenario. The LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The LCR is calculated by dividing a bank's stock of HQLA by its total net cash outflows over a 30-day stress period. HQLA of bank is in the form of Government Securities and highly marketable and liquid securities / bonds. The Bank has been maintaining HQLA mainly in the form of SLR investments over and above the mandatory requirements.

The guidelines for LCR were effective January 1, 2015, with the minimum requirement at 60%, which has risen in equal annual steps to reach 100% on January 1, 2019.

Bank prepares daily Liquidity Coverage Ratio statement to assess the liquidity needs of the Bank on an ongoing basis. A number of data points are used in calculating the average figures in the template since January 01, 2017 and a simple average is calculated on daily observations over the previous quarter. Bank has been publishing information on LCR in annual financial statements under Notes to Accounts. LCR related information based on simple averages of daily observations for the quarter ended December 2023 is furnished below:

(Rs. in Crores)

LCR Disclosure Template (Consolidation)					
		December 31, 2022		December 31, 2023	
Particulars		Total Unweighted $ Value (Average)	Total Weighted# Value (Average)	Total Unweighted $ Value (Average)	Total Weighted# Value (Average)
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)	11760.97	11704.06	13675.08	13552.78
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	**14092.78**	**1002.33**	**14579.55**	**1035.04**
(i)	Stable deposits	8138.95	406.95	8458.38	422.92
(ii)	Less stable deposits	5953.83	595.38	6121.17	612.12
3	Unsecured wholesale funding, of which:	**6756.12**	**3136.64**	**7531.39**	**4005.02**
(i)	Operational deposits (all counterparties)	0.00	0.00	0.00	0.00
(ii)	Non-operational deposits (all counterparties)	6756.12	3136.64	7531.39	4005.02
(iii)	Unsecured debt	0.00	0.00	0.00	0.00
4	Secured wholesale funding	**0.00**	**0.00**	**0.00**	**0.00**
5	Additional requirements, of which	**1829.07**	**1829.07**	**1091.21**	**1091.21**
(i)	Outflows related to derivative exposures and other collateral requirements	1829.07	1829.07	1091.21	1091.21
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00
(iii)	Credit and liquidity facilities	0.00	0.00	0.00	0.00
6	Other contractual funding obligations	**10088.37**	**681.56**	**7254.25**	**496.43**
7	Other contingent funding obligations	**2943.22**	**1182.56**	**2965.94**	**1547.07**
8	TOTAL CASH OUTFLOWS	**35709.56**	**7832.16**	**33422.34**	**8174.77**
Cash Inflows					
9	Secured lending (e.g. reverse repos)	32.83	0.00	4.44	0.00
10	Inflows from fully performing exposures	821.23	410.61	942.67	471.34
11	Other cash inflows	1780.55	1780.55	1093.15	1093.15
12	**TOTAL CASH INFLOWS**	**2634.61**	**2191.16**	**2040.26**	**1564.49**
			Total Adjusted@ Value		Total Adjusted@ Value
21	**TOTAL HQLA**		**11704.06**		**13552.78**
22	**TOTAL NET CASH OUTFLOWS**		**5641.00**		**6610.28**
23	**LIQUIDITY COVERAGE RATIO (%)**		**207.4820%**		**205.0258%**

$ Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows) except where otherwise mentioned in the circular and LCR template.

Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

@ Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

Qualitative disclosure about LCR:

The main drivers of LCR Results: The bank is having an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in markets into cash to meet liquidity needs for a 30 calendar days under liquidity stress scenario.

The net cash outflows for the next 30 days has been calculated after deducting the cash inflows from the outflows for the period. The inflows and outflows have been calculated based on RBI prescribed haircuts and run-off factors.

The Bank's LCR has been more than the minimum regulatory requirement for all the dates from October'23 to December'23. LCR of the bank for the Quarter ended December 2023 stood at 205.0258%.

Composition of HQLA

The Level 1 Assets of our bank comprises of Cash in hand & Cash at ATM, Excess CRR and SLR, MSF & FALLCR are as per permitted extent. Level 1 asset is the main driver of HQLA of the bank.

Level 2A and Level 2B assets are well within the regulatory cap of 40% and 15% of the stock of HQLA respectively after the required haircut.

Corporate Bonds not issued by a Bank/Financial/NBFC which have been rated AA- or above by an Eligible Credit Rating Agency have been classified under Level 2A assets. Similarly Bonds not issued by a Bank/FI/NBFC which have been rated not lower than BBB- have been classified under level 2B Assets.

Outflows & Inflows:

Deposits are the main source of funds for the Bank.

Currency mismatch in LCR:

LCR is expected to be met and reported in a single currency. The bank is not having significant liabilities and HQLAs in any foreign currency.

Description of the degree of centralization of liquidity management and interaction between the group's units:

The Bank does not belong to any group and does not have any associate, subsidiaries, joint venture, etc.