LIQUIDITY RISK MANAGEMENT POLICY

PremiumTrust Bank

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1.0 Introduction

This Policy outlines PremiumTrust Bank's strategy and objectives for all aspects of liquidity risk management including:

- ✓ Funding structure and composition
- ✓ Liquidity Risk Management
- ✓ Compliance

and the approaches and processes by which the Bank achieves these objectives. PremiumTrust Bank's Liquidity Risk Management policy takes account of and is consistent with Basel III guidelines issued by the Central Bank of Nigeria and the Basel Committee on Banking Supervision. PremiumTrust Bank has a single set of standards for the management of liquidity with the primary objective of ensuring that the Bank has a well-diversified, stable, low-cost funding base from which it can meet financial obligations without incurring unbearable losses.

1.1 Ownership of the Policy

The ownership of the Liquidity Risk Management Policy (hereinafter referred to as "the Policy") rests with the Head of Market Risk and the Head of Treasury who will have the authority of the Board of Directors to implement the Policy across PremiumTrust Bank (hereinafter referred to as "the Bank") and to propose revisions to the Policy.

1.2 Approval of the Policy

The Board of Directors, through the Board Risk Committee, reviews and approves the Policy document from time to time but at intervals not greater than three years. This ensures that the Policy remains aligned with the Bank's overall business objectives, risk management strategy, current and future planned changes in operations and prevailing market realities.

1.3 Policy Exceptions

Policy exceptions must be documented and approved by the Assets and Liabilities Management Committee (ALCO) and reported to the Board Risk Committee at its quarterly meetings.

1.4 Objectives of the Policy

- To develop a "risk-aware" culture and ensure that all significant liquidity risk exposures are identified, measured, assessed, prioritized, managed, monitored and treated in a consistent and effective manner across the Bank.

- To deploy appropriate and reliable liquidity risk management tools including balance sheet ratios, liquidity gap analysis & control, contingency planning, concentration limits and liquidity stress testing to facilitate management reporting, decision making and assessment.

- To comply with the provisions of the Basel Accords, the CBN Guidelines on ILAAP & Liquidity Risk Management as well as all relevant legislation, regulatory requirements, guidelines and codes of conduct in effect in Nigeria.

- To ensure that the Bank is in a position to meet its daily liquidity obligations and that it can withstand a period of market-wide or bank-specific liquidity stress affecting both secured and unsecured funding.

1.5 Scope of the Policy

This document contains the Policy guidelines for the Bank on Liquidity Risk Management and the framework for the Bank's Internal Liquidity Adequacy Assessment Process (ILAAP). The Policy frames the overarching guidelines which govern liquidity risk management related activities in PremiumTrust Bank.

2.0 Overview of Liquidity Risk

2.1 Definition of Liquidity Risk

The is defined as the risk of financial loss or insolvency arising from the inability to fund assets or meet maturing obligations as they fall due without incurring unacceptable costs or losses. Insufficient attention to liquidity risk can damage a bank's reputation and in the extreme, result in financial collapse. The two main types of liquidity risks are Funding Liquidity Risk and Trading or Asset Liquidity Risk:

2.2 Types of Liquidity Risk

Liquidity risk is considered a major risk for a bank as insufficient liquidity poses an immediate threat to the institution's ability to meet short-term maturing obligations. The two main types of liquidity risk are

a) **Funding Liquidity risk:** generally referred to as "Liquidity Risk" is the risk of financial loss or insolvency arising from the inability to fund assets or meet maturing obligations as they fall due without incurring unacceptable costs or losses.

b) **Trading Liquidity risk:** This is the risk of financial loss arising from the difficulty or inability to close out on marketable assets due to the shallowness of the market

2.2.1 Funding Liquidity Risk

This may arise from excessive mismatches in maturities between assets and liabilities. In general, bank assets have longer maturities than a bank's liabilities because the business involves maturity transformation. If a bank is unable to renew its liabilities or find other sources of funding, it must look temporarily to its cushion of liquid assets (e.g. Treasury bills) to make up the shortfall. If the liquidity cushion is insufficient, the bank faces a serious problem and may need to request assistance from the Central Bank.

2.2.2 Trading Liquidity Risk

Contemporary regulation requires banks to keep a stock unencumbered liquid assets as a buffer for extreme situations, occasionally however, a deterioration of market conditions may result in the widening of bid-ask spreads or even in market freezes. This exposes a Bank to the possibility of being unable to close out these assets due to the shallowness of the market.

3.0 Liquidity Risk Management Governance

This section describes PremiumTrust Bank's governance structure and responsibilities in relation to Liquidity Risk Management:

3.1 Roles and Responsibilities of the Board of Directors (BOD)

The Board has ultimate oversight for risk and liquidity management in the Bank. All major funding and liquidity management initiatives shall require the involvement of the Board. The following are the roles and responsibilities of the Board with respect to Liquidity Risk Management:

- Approve the LRM policy and Contingency Funding Plan Framework of the Bank.
  - Review and approve liquidity risk limits in the Bank's Risk Appetite Statement, review and approve the Bank's Enterprise Risk Management Framework.
  - Review and approve any other liquidity management policies, strategies and plans for the Bank and ensure that these policies and plans are up to date.
  - Oversee the effectiveness, independence and integrity of Risk Management and Control systems as well as the Internal Audit process.
  - Review and approve the Bank's Internal Liquidity Adequacy Assessment Process (ILAAP).

3.2 Roles and Responsibilities of the Board Risk Management Committee (BRMC)

The BRC shall have the following roles and responsibilities pertaining to LRM in the Bank:

- Making recommendations to the Board with respect to approval requests for policy and governance documents.
- Support the Board's corporate governance responsibilities in relation to liquidity risk management.
- Review of liquidity risk management reports and ensure compliance with relevant policies and regulatory guidelines.
- Review of the Bank's ILAAP prior to Board approval.

3.3 Roles and Responsibilities of the Asset and Liability Management Committee (ALCO)

The Asset & Liability Management Committee (ALCO) shall have the following roles and responsibilities regarding LRM:

- Review and approve the liquidity risk limits in the Bank's ERMF and the Market & Liquidity Risk Limits Package.
- Review the process, policies and strategies for the management and maintenance of the Bank's liquidity and communicate to the BRC for endorsement to the Board.
- Set targets for liquidity ratios and approve course of actions to maintain asset-liability mix within target ratios and rectify positions.
- Review the stress testing of the Bank's liquidity risk.
- Review the Contingency Funding Plan (CFP), determine triggers and associated thresholds for activation of the plan.
- Address overall liquidity planning, liquidity allocation and liquidity adequacy of Bank.

3.4 Roles and Responsibilities of the Market & Liquidity Risk Management Unit

The Market Risk Management Unit (MRMU), led by the Head Market Risk (HMR), shall be responsible for coordinating and facilitating the management of liquidity risk within the Bank.

The MRMU shall have the following roles and responsibilities:

- Maintain and update the liquidity risk profile of the Bank as required and ensure all material risks are quantified using the Bank's quantification methodologies.
- Develop suitable risk models for the measurement of liquidity risk and ensure that these are properly validated using an appropriate validation methodology.
- Liaise with the ALM/Treasury Team to ensure that the Bank not only meets but exceeds its liquidity adequacy requirements.
- Oversee the conduct of stress testing and scenario analysis and evaluate the impact of stress scenarios on the liquidity ratios.
- Coordinate the update of the Bank's ILAAP (twice a year) and present same to Management and the Board for approval.

3.5 Roles and Responsibilities of the Treasury Department

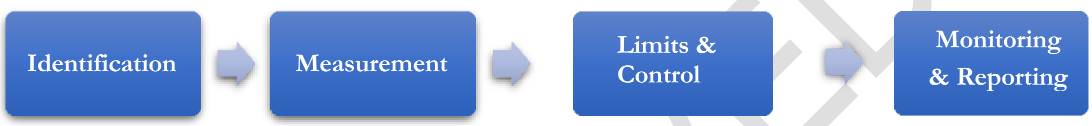
The Treasury department is at the heart of Liquidity Risk Management in the Bank, specifically the Treasury Team is responsible for the following:

- Maintenance of a daily blotter capturing all major inflows and outflows for proper planning.
- Ensuring that the Bank maintains an adequate stock of highly liquid assets which at the very least is sufficient to comply with prevalent regulatory liquidity ratios.
- Presentation of detailed balance sheet structure reports at ALCO meetings together with recommendations.
- Ensuring that the Bank's rates on purchased funds are competitive in line with market realities.
- Formulation and update of the Bank's Contingency Funding Plan, obtaining approval for same.

4.0 Liquidity Risk Management Process Flow

The Bank will have appropriate liquidity risk management processes that provide a comprehensive bank- wide view of liquidity risk exposures. The processes will be consistent with the risk appetite, risk profile, systemic factors and capital strength of the Bank. The processes will consider micro and macroeconomic conditions and the risk of a significant deterioration in market liquidity. Roles and responsibilities for identification, measuring, monitoring, control, and reporting of liquidity risk will be carried out as per specific policies and governance mentioned within this document.

The Bank's Liquidity Risk Management Process Flow will follow the pathway depicted in the picture below:



4.1 Liquidity Risk Identification

Liquidity risk is considered a major risk for a bank because insufficient attention to it can damage a

bank's reputation and in the extreme, result in financial collapse. Liquidity risk is not an isolated phenomenon; it is intricately linked with almost every aspect of a bank's operations. For instance, a bank that increases its credit risk through asset concentrations may also be increasing its liquidity risk. A large loan default can adversely impact a bank's liquidity position. There are many factors that can cause an increase in the liquidity risk of a bank. Factors within the control of a bank's management that relate primarily to the structure of the balance sheet are:

- Rapid growth in assets without concurrent growth in stable deposits
- Excessive reliance on short-term sources to fund long-term uses.
- Portfolio of liquid assets is insufficient to provide an adequate liquidity cushion.
- Lack of diversification in sources of funding and excessive reliance on a few, large depositors.
- Frequent Intra-day liquidity mismatches.

Other factors under management control that can contribute to liquidity risk are:

✓ Deterioration in quality of the credit portfolio

- ✓ Declining earnings performance or projections
- ✓ Deteriorating market perception of the Bank and downgrades from analysts and rating agencies

Extant CBN guidelines require Banks in Nigeria to have in place a Contingency Funding Plan (CFP) that details their plan of action to fund business activity in crisis situations and periods of market stress. As such, PremiumTrust Bank's CFP must include Early Warning Signals and Triggers that can indicate or determine an imminent or actual liquidity crisis. These triggers and the associated exposures should be monitored by the Market Risk Management team and reported to Management on a regular basis.

The real-time management of liquidity risk rests with the Treasury department which bears the responsibility of ensuring that the Bank is always sufficiently funded to meet obligations as they fall due. The Market Risk Management unit under the supervision of the CRO provides independent assurance on LRM to critical stakeholders (ALCO, BRC, the Board of Directors & the CBN) of the Bank.

4.2 Liquidity Risk Measurement

A critical step in the Liquidity Risk Management process is measurement, this typically involves the quantification of exposures to aid efficiency and appropriateness of decision-making. The Bank will adopt Liquidity Risk Management techniques detailed below:

4.2.1 Liquidity & Balance Sheet Ratios

The Bank will utilize the following ratios for assessment of Liquidity Risk:

- **(Statutory) Liquidity Ratio (LR): -** This is the quotient obtained by taking eligible liquid assets as a proportion of total qualifying liabilities. The minimum value is set for the industry by the CBN. The Bank will calculate its LR daily and report same to internal stakeholders and the CBN.
- **Liquidity Coverage Ratio (LCR): -** The Liquidity Coverage Ratio (LCR) is the Basel III metric that governs short-term liquidity stress test management. The primary objective of the LCR is to ensure that Banks keep a stock of High-Quality Liquid Assets (HQLA) sufficient to meet funding obligations over a 30-day stress event period. The LCR is specified as:

$$\frac{\textbf{Stock of HQLA}}{\textbf{Total net cash outflows over the next 30 calendar days}} \geq \textbf{100\%}$$

The CBN requires that Banks keep a minimum LCR of 100%, the Bank will compute its LCR monthly and present the results at ALCO meetings.

- **Loans to Deposits Ratio (LDR): -** This is obtained by calculating loans to customers as a percentage of total customer deposits, the loans are weighted in line with the prescriptions of the CBN. The LDR is designed to prevent Banks from "overtrading" and to encourage lending to specific sectors of the economy, limits on the LDR are determined by the CBN as applicable to the industry.

In addition to the three ratios highlighted above, the Bank uses other balance sheet ratios to facilitate liquidity risk management, these include:

i. Time Deposits/Total Deposits

ii. Wholesale Deposits: Total LCY Deposits

iii. Net Clean Interbank LCY Takings /Total LCY Deposits

These ratios are also included as Liquidity Risk Indicators in the Bank's CFP.

4.2.2 Deposit Concentration Ratios

This is the risk inherent in the Banks funding concentration, diversification of liquidity sources and access to funds. To ensure that the Bank does not place undue reliance on any single entity as a funding source, limits[1] are imposed on the proportion of deposits accepted from significant funders. Large Fund Providers (LFPs) are defined as single or related depositors that provide more than a preset percentage of total deposits. The aggregate of deposits from LFPs should not exceed the subsisting limit. In determining this limit, cognizance will be paid to the depositor environment and the strategic objectives of the Bank.

Deposit Type – To ensure diversification in the funding of the bank, concentration on deposit types will be monitored. The aim will always remain to ensure stability of funding at the cheapest level ensuring a prudent mix of deposits. These concentrations will be monitored via

1. Demand deposits as a percentage of Total Deposits

[1] *For the purpose of guidance, not essentially a control measure.*

2. Savings Deposits as a percentage of Total Deposits

3. Time Deposits as a percentage of Total Deposits

Interbank Dependence - Interbank funding traditionally is seen as the most volatile and least stable source of funding, easily influenced by market sentiment and prone to flight under stress situations. A limit is imposed restricting the level of interbank funding as a proportion of the total funding base.

4.2.3 Liquidity Gap Analysis

The mismatch approach measures the bank's liquidity by assessing the mismatch between its inflow and outflow of funds within different time bands on a maturity ladder. A net mismatch figure is obtained by subtracting liabilities and net off-balance sheet positions from assets in each time band. The bank's liquidity position is assessed by means of the net cumulative mismatch position (aggregation of net position in each successive time band). Behavioral modeling in the form of non-maturity analysis shall be performed for assets and liabilities having indeterminate maturity. Non maturity analysis assists in assessing the core and volatile portion of indeterminate assets and liabilities. The core portion shall be placed in longer time bands while the volatile portion shall be placed in the shorter time bands.

Maturity mismatches shall be prepared on both contractual and behavioral basis. The contractual basis assumes that cash flows have predetermined maturities and are expected to behave contractually, whereas the behavioral basis factors the behavior of the customers in determining the maturity profile of assets and liabilities. The resulting cumulative gaps from the behavioral maturity profile are tracked against the approved negative cumulative funding gap limit on the Bank's Market & Liquidity Risk Limits Package.

4.3 Liquidity Risk Limits & Control

ALCO shall control the Bank's exposure to liquidity risk by ensuring that limits are set and that a Contingency Funding Plan (CFP) is in place. In setting limits, the following factors shall be taken into consideration:

i. The Bank's risk tolerance

ii. The nature of the Bank's funding strategies and activities

iii. The Bank's past and current performance

iv. Regulatory limits

v. The level of earnings and capital available to absorb potential losses.

Where exceptions to exceed limits are required, these shall be proposed by the Treasurer for the approval of ALCO. The Bank shall immediately inform the CBN, when there is a breach of the Liquidity Coverage Ratio (LCR) below 100%. Limits shall be reviewed by ALCO either annually or when the risk tolerance of the Bank changes for any given reason. Under no circumstance should the Bank breach regulatory guidelines in setting limits. Market Risk shall monitor compliance with internal and regulatory limits. Where set limits are exceeded, the breach shall be escalated to Management for corrective action.

The Treasurer in conjunction with Market Risk shall develop and implement a CFP to address the strategies for handling liquidity crises which shall also include procedures for compensating cash flow shortfalls for temporary (this includes day-to-day) and long-term emergency situations. The CFP is an extension of on-going liquidity management process and establishes the objectives for sound liquidity risk management by ensuring:

I. The maintenance of an appropriate level of liquid assets

II. The measurement and projection of funding requirements during various liquidity scenarios

III. The management of access to funding sources.

In developing a CFP, the Bank shall ensure that the strategies and initiatives therein clearly address the Bank's complexity and risk exposures, activities, products, and organizational structure.

4.4 Liquidity Risk Monitoring and Reporting

Market Risk Management in collaboration with Treasury shall be responsible for managing and monitoring liquidity risk within the Bank. Systems, processes, and procedures shall be put in place to identify, measure, monitor and control liquidity risk, as well as to ensure that the Bank meets its funding obligations at a reasonable cost, build a robust liquid asset portfolio and buffer, whilst meeting regulatory requirements.

Liquidity risk shall be reported and monitored through the ALCO framework to:

I. Provide timely and relevant information with respect to the Bank's liquidity position

II. Produce liquidity reports in a form and content that is relevant to the nature, scale, and complexity of the Bank

III. Enable Treasury and Market Risk monitor compliance with established liquidity policies and limits

IV. Accommodate the performance of appropriate liquidity stress testing and scenario analysis.

Efforts shall be made to conduct a testing of the CFP at least annually. The report of the stress testing incorporating any liquidity shortfalls and available lines from counterparties shall be communicated to Management.

S/N	REPORT TYPE	DESCRIPTION	FREQUENCY	RECIPIENTS
1	Liquidity Ratio	• The report shows the Bank's liquidity ratio against internal and regulatory limits	Daily	CBN, Treasurer, CRO, HMR, ALCO
2	Liquidity Monitoring Tools	• The report captures specific information relating to the Bank's cash flows, balance sheet structure, available unencumbered collateral, and certain market indicators	Monthly	CBN, Treasurer, CRO
3	Liquidity Coverage Ratio	• The report shows the ratio of the Bank's stock of unencumbered High Quality Liquid Asset (HQLA) to total net cash outflows over 30 calendar days	Monthly	CBN, Treasurer, ALCO, CRO
4	Internal Liquidity Adequacy Assessment Process	• The report/document shows the Bank's liquidity risk identification and management procedure/process, as well as an assessment of the adequacy of the Bank's liquidity in normal and stress conditions	Bi-Annually	CBN, Treasurer, CRO, MD, BRC, BOD.
5	Large Fund Providers	• This report shows the analysis of the Bank's funding concentration across customers, sectors, regions, and industries as applicable	Monthly	ALCO
6	Liquidity Gap	• The report shows the mismatches in the composition of the Bank's assets and liabilities.	Monthly/Quarterly	ALCO

5.0 Liquidity Stress Testing

The CBN expects banks to have in place documented procedures to undertake, review and, where appropriate, react to the results of rigorous, forward-looking stress testing that identifies possible events or cyclical changes in market conditions that could adversely impact the bank's earnings, liquidity or asset values. Stress testing is a risk management tool that simulates the impact of extreme but plausible adverse events on the performance and/or sustainability of the institution. The advent of Basel III regulation in Nigeria in 2021 introduced the Liquidity Coverage Ratio (LCR) as an indispensable tool in this regard.

In line with the CBN's guidelines on Liquidity Coverage Ratio (LCR), the Bank shall consider various scenarios for the LCR. These scenarios are a combination of idiosyncratic and market-wide shocks that could result in:

i. The run-off of a proportion of retail deposits

ii. A partial loss of unsecured wholesale funding capacity

iii. A partial loss of secured, short-term financing with certain collateral and counterparties.

iv. Additional contractual outflows that would arise from a downgrade in the Bank's credit rating by up to and including three (3) notches, as well as collateral posting requirements.

v. Increases in market volatilities that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts and/or additional collateral, or lead to other liquidity needs.

vi. Unscheduled draws on committed but unused credit and liquidity facilities that the Bank has provided to its clients, and

vii. The potential need for the Bank to buy back debt or honor non-contractual obligations in the interest of mitigating reputational risk.

The Bank shall view the above stress parameters/scenarios as a minimum regulatory requirement and will develop stricter scenarios for internal liquidity stress testing. These scenarios will also be used for regular updates of the Bank's Internal Liquidity Adequacy Assessment Process (ILAAP). The Market Risk Management Unit will perform liquidity stress testing monthly with the results presented to ALCO. The unit will also be responsible for liaising with the Treasury department and any other relevant units to ensure that decisions taken in this regard are implemented timeously.

6.0 ILAAP Framework

6.1 ILAAP Philosophy

PremiumTrust Bank's ILAAP philosophy is to establish a robust governance process and tools to enable adequate assessment of its liquidity profile on an on-going basis to ensure that Bank maintains adequate liquidity to cover its risks and fund its obligations at a reasonable cost in both normal and stressed conditions.

6.2 ILAAP Guiding Principles

The overall assessment of the adequacy of the Bank's liquidity shall be based on the following principles. The Bank shall:

- Ensure a clear segregation of duties: The Board shall review and approve the strategy, policies and practices related to the management of liquidity.
- Document and approve its liquidity risk appetite inclusive of tolerance limits, which is appropriate for its business objectives and strategic direction.
- Have a robust liquidity risk management policy that ensures it maintains sufficient liquidity, including unencumbered, high quality liquid assets to withstand a range of stress events.
- Actively manage liquidity risk exposures and funding needs within and across business lines and currencies, considering legal and operational limitations to the transferability of liquidity.
- Establish a funding strategy that provides effective diversification in the sources and tenor of its funding.
- Maintain quality intraday liquidity management to meet payments and settlements of obligations, under both normal and stressed scenarios, in a timely manner.
- Document and implement a Contingency Funding Plan (CFP) that sets out the strategy for handling liquidity crises and include procedures for addressing liquidity shortfalls in emergency situations.
- Conduct stress tests on a regular basis for a variety of institution-specific and market- wide stress scenarios to identify sources of potential liquidity strain and to ensure that current exposures remain in accordance with the Bank's established liquidity risk tolerance.
- Maintain a buffer of unencumbered, high quality liquid assets as insurance against a range of liquidity stress scenarios.
- Establish a process for the periodic independent evaluation of the effectiveness of the ILAAP process and internal control.

6.3 ILAAP Objectives

The overall objective of the ILAAP is to establish standards for assessing the liquidity adequacy of the Bank to ensure the Bank has sufficient liquidity to fulfil its obligations. Specifically, the objectives of ILAAP include, but are not limited to:

- Ensure that the Bank has adequate liquidity to support its operations.
- Demonstrate to key stakeholders (i.e., Board, Shareholders, investors, Regulators, customers) the adequacy of the Bank's LRM process, thereby gaining market confidence.
- Provide a holistic view of LRM in the Bank.
- Provide a basis for strategic decision making to ensure that growth strategy is in alignment with sound LRM practices.

6.4 Risk Assessment for ILAAP

PremiumTrust Bank's liquidity risk drivers are the liquidity risk factors that influence the liquidity position of the Bank and its ability to maintain enough liquidity in normal and stressed conditions. The purpose of assessing the materiality of the different liquidity risk drivers is to assist the Bank in identifying and measuring the significance of the different risk factors and sources of funds it is exposed to. This will assist in prioritizing the Bank's liquidity risk management activities, including scenarios to be used in performing relevant stress test and other assessments.

In line with leading practices, the Bank shall assess the following risk drivers in a bid to identify the factors that influence its liquidity position the most:

- Wholesale and retail funding risk: This is the risk that arises from an unexpected decline in wholesale and retail funding counterparties respectively.
- Intraday liquidity risk: This is the risk that a Bank will be unable to meet its daily payment and settlement obligations on a timely basis as and when they fall due under normal or stressed conditions.
- Funding concentration risk: This is the risk inherent in the Banks funding concentration, diversification of liquidity sources and access to funds.
- Liquidity risk of Marketable Assets: This is the liquidity risk associated with assets that can be sold or monetized directly through outright sale in the open market to other investors or used as collateral for fund-raising purposes.
- Liquidity risk of Non-Marketable Assets: This is the liquidity risk pertaining to securities that have trading limitations as they are not traded on any normal, or major secondary market exchanges.

6.5 ILAAP Reporting and Approval

The purpose of the ILAAP report is to provide relevant stakeholders with information regarding the outcome of the assessment of the overall liquidity adequacy of the Bank including actions to improve the liquidity position of the Bank at every reporting period.

The specific structure of the ILAAP report shall be determined at each reporting period. However, at a minimum, and in line with the guidelines of the CBN, the Bank shall ensure the following contents are captured in the ILAAP report:

i. Executive Summary

ii. Structure and Operations

iii. Governance Structure

iv. Risk Appetite Statement

v. Risk Assessment and Liquidity Adequacy

vi. Stress Testing

vii. Funding Plan and Strategy

viii. Summary of Internal Liquidity Assessment Process

ix. Design, Approval, Review and use of ILAAP

x. Challenges and Further steps

xi. Use of Internal Models for Liquidity Assessment

xii. Review of ILAAP

The ILAAP shall be submitted to the CBN bi-annually sequel to approval by the Bank's BOD.

PremiumTrust Bank

APPENDIX - Summary of LCR Calculation

(Percentages are factors to be multiplied by the total amount of each item)

Item	Factor
Stock of HQLA	
A. Level 1 assets:	
▪ Coins and bank notes ▪ Qualifying marketable securities from foreign, central banks, PSE, and multilateral development banks ▪ Qualifying central bank reserves (excluding cash reserve requirement) ▪ Domestic sovereign or central bank debt for non-0% risk-weighted sovereigns	100%
B. Level 2 assets (Maximum of 40% of HQLA):	
Level 2A assets:	
▪ Sovereign, central bank, multilateral development banks, and PSE assets qualifying for 20% risk weighting ▪ Qualifying corporate debt securities rated AA- or higher	85%
Level 2B assets (maximum of 15% of HQLA)	
▪ Qualifying corporate debt securities rated between A+ and BBB-	50%
▪ Qualifying common equity shares	50%
Total value of stock of HQLA	

Cash Outflows	
A. Retail deposits:	Run-off rates

Demand deposits and term deposits (less than 30 days maturity) ▪ Stable deposits (deposit insurance scheme meets additional criteria) ▪ Stable deposits ▪ Less stable retail deposits	 5% 5% 10%
Term deposits with residual maturity greater than 30 days	0%
B. Unsecured wholesale funding:	
Demand and term deposits (less than 30 days maturity) provided by small business customers: ▪ Stable deposits ▪ Less stable deposits	 5% 10%
Operational deposits generated by clearing, custody and cash management activities • Portion covered by deposit insurance	25% 5%
Non-financial corporates, sovereigns, central banks, multilateral development banks, and PSEs • If the entire amount fully covered by deposit insurance scheme	40% 20%
Other legal entity customers	100%
C. Secured funding:	

▪ Secured funding transactions with central bank counterparty or backed by Level 1 assets with any counterparty.	0%
▪ Secured funding transactions backed by Level 2A assets, with any counterparty	15%
▪ Secured funding transactions backed by non-Level 1 or non-Level 2A assets, with domestic sovereigns, multilateral development	25%

banks, or domestic PSEs as a counterparty	
▪ Backed by other Level 2B assets	50%
▪ All other secured funding transactions	100%
D. Additional requirements:	
Liquidity needs (e.g. collateral calls) related to financing transactions, derivatives, and other contracts	3 notch downgrade
Market valuation changes on derivatives transactions (largest absolute net 30-day collateral flows realised during the preceding 24 months)	Look back approach
Valuation changes on non-Level 1 posted collateral securing derivatives	20%
Excess collateral held by a bank related to derivative transactions that could contractually be called at any time by its counterparty	100%
Liquidity needs related to collateral contractually due from the reporting bank on derivatives transactions	100%
Increased liquidity needs related to derivative transactions that allow collateral substitution to non-HQLA assets	100%
ABCP, SIVs, conduits, SPVs, etc.:	
▪ Liabilities from maturing ABCP, SIVs, SPVs, etc. (applied to maturing amounts and returnable assets)	100%
▪ Asset Backed Securities applied to maturing amounts.	100%
Currently undrawn committed credit and liquidity facilities provided to:	
▪ retail and small business clients	5%
▪ non-financial corporates, sovereigns and central banks, multilateral development banks, and PSEs	10% for credit 30% for liquidity
▪ banks subject to prudential supervision	40%
▪ other financial institutions (include securities firms, insurance companies)	40% for credit 100% for liquidity
▪ other legal entity customers, credit, and liquidity facilities	100%

Other contingent funding liabilities (such as guarantees, letters of credit, revocable credit, and liquidity facilities, etc.) ▪ Trade finance ▪ Customer short positions covered by other customers' collateral	 **5%** 50%
Any additional contractual outflows	100%
Net derivative cash outflows	100%
Any other contractual cash outflows	100%
Total cash outflows	

Cash Inflows	
Maturing secured lending transactions backed by the following collateral:	
Level 1 assets	0%
Level 2A assets	15%
Level 2B assets ▪ Other assets	 50%
Margin lending backed by all other collateral	50%
All other assets	100%
Credit or liquidity facilities provided to the reporting bank	0%
Operational deposits held at other financial institutions	0%
Other inflows by counterparty: ▪ Amounts to be received from retail counterparties ▪ Amounts to be received from non-financial wholesale counterparties, from transactions other than those listed in above inflow categories ▪ Amounts to be received from financial institutions and central banks,	 50% 50%

from transactions other than those listed in above inflow categories.	100%
Net derivative cash inflows	100%
Other contractual cash inflows	100%
Total cash inflows	
Total net cash outflows = Total cash outflows minus min [total cash inflows, 75% of gross outflows]	
LCR = Stock of HQLA / Total net cash outflows	

APPROVAL DETAILS & VERSION CONTROL		SIGNATURE
DOCUMENT NAME	LIQUIDITY RISK MANGEMENT POLICY	
OWNER	HEAD MARKET RISK MGT./GROUP HEAD, TREASURY	
AUTHOR	HEAD MARKET RISK MANAGEMENT	
REVIEWER	CHIEF RISK OFFICER	
FINAL APPROVAL	BOARD OF DIRECTORS	
VERSION	VERSION 3	
DATE OF APPROVAL		