

BANK ONE LIMITED

Asset Liability Management Committee / Terms of Reference



Asset Liability Management Committee
(ALCO)

TERMS OF REFERENCE

Confidential Document
(For Internal Use Only)

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Asset Liability Management Committee / Terms of Reference

The present Terms of Reference encompass the following:

1. Overall purpose & objectives

2. Organisation

2.1 Appointment & Membership

2.2 Attendance at meetings

2.3 Voting

3. Roles & Responsibilities

4. Reporting Responsibilities

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1. Overall Purpose & Objectives

- To plan the Bank's Balance Sheet, which involves management of liquidity, interest rate and forex risks
- To achieve a proper mix of funds by keeping the level of non-interest funds to the bare minimum, maximize the fund allocation to high profit areas while simultaneously ensuring availability of funds to meet all eventualities and hence, to meet the liquidity needs of the bank.
- To determine pricing of deposits and advances with their desired maturity profile. Controlling the rates received and paid to assets/liabilities to maximize the spread or net interest income.
- To determine the funding mix between fixed and floating rate funds, corporate v/s .retail, short term v/s long term deposits.
- To agree on future business strategies based on the Bank's current view on interest rates and to develop future direction of interest rate movements.
- Determine the appropriate Funds Transfer Pricing Methodology to encourage the right behavior at bank level.
- Determine the appropriate cost allocation methodology amongst business lines.
- Oversight of the Bank's investment portfolio.
- Meet the requirements of the financial regulators, thereby assisting the Board in fulfilling its obligations by receiving reports and approving or making recommendations to the Board regarding fund houses, funds, brokers or any other third parties.

2. Organisation

2.1. Appointment & Membership

2.1.1 The Chief Executive Officer (CEO), after consulting the Board Risk Management Committee (BRMC), will appoint the members of ALCO. The number of members shall be determined by the CEO from time to time.

2.1.2 ALCO is currently comprised of the following Senior Management Staff:

i. CEO	: Chairman
ii. CFO	: Member
iii. COO	: Member
iv. CRO	: Member
v. Head of Personal Financial Services	: Member
vi. Head of Corporate Banking	: Member
vii. Head of Private Banking	: Member
viii. Head of Treasury	: Member
ix. Head of International Banking	: Member

The following will be permanent ALCO attendees:

- i. Head of Regulatory Affairs
- ii. Head of Internal Audit
- iii. Head of Credit Risk
- iv. Head of Finance
- v. Market Risk Manager
- vi. Market Risk Specialist

2.1.3 The CEO will, on an annual basis, review the composition of the ALCO and make any changes that are deemed appropriate, after consulting the BRMC.

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- 2.1.4 The CEO may appoint / remove any member of the ALCO, and / or fill any casual vacancy that may arise, after consulting the BRMC.

2.2. Attendance at Meetings

- 2.2.1 The ALCO shall meet monthly or more frequently, as required (especially in times of increased rate/market volatility and unanticipated economic changes).
- 2.2.2 A quorum for any meeting shall be five members, one of whom shall be at least the CEO or CFO. No business may be transacted at a meeting of the Committee if a quorum is not present. For the purposes of the present document, a Member shall be deemed to be present at any meeting if he is able to hear and understand all of the proceedings of the meeting, and be heard and understood by all present or deemed present by way of telephone or other suitable means of communication, and such Member indicates his willingness for the meeting to proceed on that basis.
- 2.2.3 ALCO Meetings shall be chaired by the CEO, or in his absence, by the CFO.
- 2.2.4 The Committee may invite any persons to its meetings, as it may deem necessary.
- 2.2.5 The Secretary of the ALCO will be the Bank's Secretariat (Corporate Affairs) or such other person as nominated by the Chairman.
- 2.2.6 The Meeting Pack, which includes the agenda and all documents to be discussed at ALCO meetings, shall be made available to the Members at least 48 hours prior to each meeting.

2.3. Voting

- 2.3.1 All decisions, including recommendations of the ALCO, shall be approved by a majority of all the Members present at a duly constituted meeting. However such majority shall include the Chairman (or in his absence, the Deputy Chairman).
- A Member present at a meeting of the ALCO is presumed to have agreed to and to have voted in favour of a decision / recommendation, unless he expressly dissents from or votes against the decision / recommendation at the said meeting.
- 2.3.2 The Committee may deliberate on urgent matters by way of written resolutions. A resolution in writing shall be assented to by all Members for same to be as valid and effective as if it had been passed at a meeting of the Committee, which was duly convened and held.
- Any such resolution may consist of several documents (including facsimile, electronic mails or other similar means of communication) each assented to by one or more Members.
- Any such resolution shall be put to the next meeting of the Committee for ratification.

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3. Roles & Responsibilities

ALCO shall:

- 1) Be responsible for the balance sheet planning of the Bank within the risk parameters set by the Board and the regulatory limits. It will need to strategically manage the following market risks:
 - (i) Liquidity Risk
 - (ii) Interest Rate Risk
 - (iii) Foreign Exchange risk
 - (iv) Deposit Analysis/Concentration Risk for Deposit Portfolio
 - (v) Managing of Investment Book/Investment Limit
 - (vi) Equity Risk if any
- 2) Asset and Liability Management:
 - To review and manage changes to the Bank's balance sheet, including structural changes and achievement of strategic objectives in relation to growth or shrinkage.
 - To recommend types of products and treasury instruments with an appropriate duration and interest rate to manage the overall balance sheet structure. However, all new Products are subject to review by the New Product Committee.
- 3) Liquidity
 - Review changes in the profile of liquidity and compliance with all liquidity limits set out in the Bank's Market Risk Policy.
 - Consider the scenarios modeled as part of liquidity stress testing and identify additional scenarios based on best practice and following review of monthly stress tests.
- 4) Product Pricing
 - To review and approve changes in the Prime Lending Ratio (PLR) and deposit pricing following a base rate change or for any other reason.
- 5) Funding
 - To review sources of funding, identify and assess the impact of new sources of funding and review all funding limits for compliance with the Market Risk Policy.
 - To review the balance between the funding and lending plans, ensuring the lending plan is compatible with the funding plan.
 - To review overall cash flow position and consider the impact of other inflows and outflows as they affect overall liquidity e.g. large retail maturity outflows.
 - To review and approve the Bank's contingency funding plans.
- 6) Net Interest Margin
 - To review interest margin trends including forecast position, and the variance from the planned net interest margin, and detail any required actions as appropriate. This includes reviewing adverse and positive movements in pricing.
- 7) Interest Rate Risk
 - To consider and agree the Bank's interest rate view and changes thereto based on changes to the economic outlook and interest rate environment.
 - To monitor compliance with limits as per the Market Risk Policy and earnings risk in relation of a 200bp shock.
 - To analyse the impact of changes in interest rate on the economic value of a bank's assets, liabilities and off-balance sheet positions based on an assessment of the present value of its expected net cash flows, discounted to reflect market rates.

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8) Investment

- Review reports on the implementation of the Investment Strategy and compliance within the defined framework of the Bank.
- Oversee the Bank's investment portfolio.
- Report on elevated areas of risk within the investment strategy.
- Review and approval of the engagement of investment and asset managers/fund houses/brokers and any other third parties
- Review the compliance with all applicable regulations and that proactive engagement is maintained with the Regulators.
- To review significant financial risk exposures the Bank generally faces in its investment portfolio, and monitoring of the performance, quality, maturity profile and any actions taken by the Management with respect thereto.

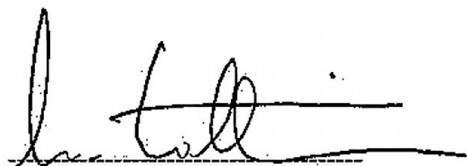
9) Other Matters

- To decide upon appropriate recruitment, training and development for ALCO Members, Senior Management and Treasury personnel to ensure the requisite skills are available to monitor and control risk.
- To consider reviews of business assurance reviews, feedback from External Auditors and any other regulations/pronouncements/correspondence from external bodies.
- Determine appropriate funds transfer pricing and cost allocation methodologies for lines of businesses.

4. Reporting Responsibilities

- 4.1 Minutes of the meetings and action plans arising therefrom shall be circulated to the ALCO Members for necessary discussions at subsequent meetings.
- 4.2 The ALCO shall report to the BRMC on relevant matters from time to time.
- 4.3 The CEO shall review and update the present Terms of Reference as and when necessary. Any amendments thereto shall be approved by the CEO and notified to the BRMC.

Dated: 25 September 2023



Mark Watkinson
Chairman of the
Asset Liability Management Committee