



## Liquidity risk

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs. The objective of the Bank's liquidity risk management framework is to ensure that the Bank can fulfil its payment obligations at all times and can manage liquidity and funding risks within its risk appetite. The framework, which includes the Bank's Liquidity Policy, considers relevant and significant drivers of liquidity risk.

Our liquidity risk management framework has been an important factor in maintaining adequate liquidity and in managing our funding profile during 2018.

Methodologies and behavioural assumptions are adopted in the framework for projecting the cash flow mismatches based on analysis of historical patterns and inputs obtained from the business units. These methodologies and assumptions are reviewed regularly to ensure they are always highly relevance to prevailing liquidity condition in the market and the bank's business direction.

## Liquidity Management

The Bank sources funding mainly from current account and is able to call upon funding from members of the Deutsche Bank Group if required.

## Liquidity Coverage Ratio

Bank of Mauritius (BoM) implemented Basel III liquidity standards on Liquidity Coverage Ratio (LCR) for all banks licensed by BoM, effective from 03 Nov 2017. Banks shall comply with the minimum requirement of 60% from 30 Nov 2017 reporting period, and the minimum requirement will be enhanced annually by 10% from 31 January 2018 to reach 100% by 31 January 2020 for consolidated LCR (all currencies) and for FCY (foreign currency). For MUR single currency, LCR will be 100% from 30 November 2017 reporting period, as applicable. Also BoM expects banks to closely monitor LCR by significant currency.

For 2018, the regulatory minimum is 70% and Deutsche Bank Mauritius Limited (DBML) has prudently set internal warning and trigger level thresholds, as proposed by Liquidity Risk Management (LRM) and agreed by the Asset & Liability Committee (ALCO), at 80% and 70% respectively to ensure compliance to LCR at all times. This will be reviewed and approved by local ALCO at annual liquidity scorecard/dashboard review process.

At the country level, local Treasury is responsible for overall liquidity risk management of the Bank including proposing liquidity risk limits – in line with the tolerance/risk appetite applied by LRM – for approval by the ALCO. Day-to-day funding and cash management of the Bank is undertaken by liquidity managers in Global Transaction Banking (GTB) division acting within the parameters set by ALCO.



DBML has a sound liquidity risk management framework and more detail on LCR governance framework is provided in the DBML Liquidity Policy (LP). In addition to the LCR governance framework, DBML has internally developed tools for effective and prudent liquidity risk management. 'Liquidity Stress Testing' tool assesses the ability to meet short term liquidity obligations and 'Funding Matrix' assesses the effectiveness of long term funding profile.

### Monitoring and Management of Liquidity Risk Limits at DBML

Several tools and metrics are used to measure and manage liquidity and funding risk at a legal entity level and are monitored via monthly liquidity scorecard/dash board (as detailed below). This is to ensure DBML can meet all payment obligations when they fall due and without having to incur excessive costs.

Further the risk of significant reduction in customer demand deposits and concentration risk is carefully managed via 'stable demand deposit analysis' (re-calibrated quarterly) and by maintaining adequate short term (mainly overnight) group placements and USD placements in BoM Reserve account.

### Liquidity Dashboard

The Liquidity Dashboard reporting tool consists of three sections, each section sharing monthly updates of several key indicators and liquidity measures. These sections are market indicators, bank internal liquidity metrics/regulatory compliance and strategic liquidity outlook.

1. External liquidity environment/market
  - a. DB 5-year CDS
  - b. DB Ratings
2. Internal liquidity metrics
  - a. Customer concentration – Top 5
  - b. Inter-branch borrowing
  - c. Stress Test results - Minimum Net Liquidity Position (up to eight weeks)
3. Regulatory Limit compliance
  - a. LCR (all currency/consolidated reported in USD)
4. Strategic liquidity outlook
  - a. Funding Matrix – all currency (smallest liquidity surplus/largest liquidity gap > year 1)
  - b. Stress Test results - Minimum Net Liquidity Position (up to eight weeks)

Key liquidity ratios and figures are monitored and reported to the ALCO via monthly liquidity scorecard/dashboard report, at regular ALCO meetings and form basis of the quarterly Risk Capital Profile (RCP) report.

### Composition of HQLA

The HQLA comprises reserves with the Bank of Mauritius in excess of the daily Cash Reserve Ratio.



## LCR common disclosure template

The following table shows the common disclosure template of DBML. The ratio reported below is based on simple averages of month-end LCR ratios over the 3 months for Quarter 1 2018.

<i>(Consolidated either in USD)</i>		Total Value (quarterly average of monthly observations)	Unweighted (quarterly average of monthly observations)	Total Value (quarterly average of monthly observations)	Weighted (quarterly average of monthly observations)
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	30,208,324		30,208,324	
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:				
3	<i>Stable deposits</i>				
4	<i>Less stable deposits</i>				
5	Unsecured wholesale funding, of which:	100,995,042		40,398,017	
6	<i>Operational deposits (all counterparties)</i>				
7	<i>Non-operational deposits (all counterparties)</i>	100,995,042		40,398,017	
8	<i>Unsecured debt</i>				
9	Secured wholesale funding				
10	Additional requirements, of which:				
11	<i>Outflows related to derivative exposures and other collateral requirements</i>				
12	<i>Outflows related to loss of funding on debt products</i>				
13	<i>Credit and liquidity facilities</i>				
14	Other contractual funding obligations				
15	Other contingent funding obligations				
16	<b>Total cash outflows</b>	100,995,042		40,398,017	
<b>Cash Inflows</b>					
17	Secured funding (e.g. reverse repos)				
18	Inflows from fully performing exposures				
19	Other cash inflows	110,940,676		110,940,676	
20	<b>Total cash inflows</b>	110,940,676		110,940,676	
					Total Adjusted Value
21	<b>Total HQLA</b>			30,208,324	
22	<b>Total net cash outflows</b>			10,099,504	
23	<b>Liquidity Coverage Ratio (%)</b>			299%	
24	<b>Quarterly Average of Daily HQLA</b>			34,816,386	