

Asset Liability Management Policy



The Sundargarh District Central Co-operative Bank Ltd.,
AT - REGENT MARKET, PO/DIST. - SUNDARGARH
PIN - 770001, ODISHA





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The Sundargarh District Central Co-operative Bank Ltd.,
SUNDARGARH – 770 001
Regd. No. 90/ SG / Dt.1.6.1955

RESOLUTION BY CIRCULATION OF THE PROCEEDINGS OF THE COMMITTEE OF MANAGEMENT MEETING OF THE SUNDARGARH DISTRICT CENTRAL COOPERATIVE BANK LTD., SUNDARGARH HELD ON DTD 08.07.2025.


Venue : Office Chamber
Date: 08.07.2025

Agenda No 1

To consider approval of the draft policy of 1. Grievance Redressal Policy 2. Risk Management Policy 3. Asset Liability Management Policy and 4. Compliance Policy as per prescribed guidelines of RBI/ NABARD / RCS (O).

Resolution

Discussed and approved the draft policy of 1. Grievance Redressal Policy 2. Risk Management Policy 3. Asset Liability Management Policy and 4. Compliance Policy as per prescribed guidelines of RBI/ NABARD / RCS (O) for execution.


Chief Executive Officer
Sundargarh DCC Bank Ltd.


PRESIDENT
Sundargarh DCC Bank Ltd.

Copy circulated to all members of the Committee of Management of the Bank for information and necessary action.


Chief Executive Officer



ASSET LIABILITY MANAGEMENT POLICY

1. Asset Liability Management System has been introduced in the Bank based on the guidelines of Reserve Bank of India / NABARD in pursuance of the decision taken in the Managing Committee on 28.08.2024.

The policy aims to attain effective Asset Liability Management with a view to manage liquidity risks and interest rate risks in course of operation of banking business.

Under the system, the structural liquidity statement, which measures the liquidity of banking operations and interest rate sensitivity statement, which measures the gap between the rate sensitive assets and rate sensitive liabilities shall be compiled and analysed on a monthly basis as on the last day of the month.

2. Asset Liability Management (ALM) Desk:

ALM Desk is constituted comprising of the Chief Executive Officer, Section Head of Loan & Advances, Section Head of Accounts & Operation and Asst. Manager Accounts & Operation department :

- a) To initiate all steps for effective implementation of the ALM Policy.
- b) To collect monthly ALM data from all concerned, make analysis of the data and submit the same to Asset Liability Management Committee (ALCO) through the Managing Committee of the Bank.
- c) To facilitate convening of the ALCO Meeting on a monthly basis and ensure its success by providing all the necessary information required by ALCO.
- d) Ensure implementation of decisions of the ALCO from time to time.
- e) Ensure reporting of data to reserve Bank of India / NABARD and all appropriate quarters within the stipulated time frame fixed for the purpose.



3. Organisational set up:

The organizational setup of Asset Liability Management System is through ALCO (Asset-Liability Management Committee) as constituted by the Managing Committee of the Bank with the following members.

- | | | | |
|------|--|---|-----------------|
| i. | Chief Executive Officer | - | Chairman |
| ii. | Officer/Dealing Assistant Accounts & Operation | - | Member |
| iii. | Officer/Dealing Asst. of Investment Cell | - | Member |
| iv. | Officer Planning & Development Section | - | Member |
| v. | Officer, Loan & Supervision. | - | Member |
| vi. | Manager Accounts & Operation | - | Member Convenor |

4. Role and Responsibility of ALCO:

- (a) Ensure adherence to the exposure limits set by Managing Committee, suggest strategies for both Asset and Liability broadly in conformity with Bank's business targets and risk management objectives.
- (b) To consider / monitor risk levels of pricing of products both under deposits and advances, quantum of investments, borrowings and their maturity / periodicity in line with Banks ALM policy.
- (c) To review the results and progress of implementation.
- (d) To review monthly Structural Liquidity Statement (SLS), Interest Rate Sensitivity Statements (IRS) and other ALM related Statements. Based on the gaps viewed in the Statements, ALCO shall decide on the mix of various assets and liabilities keeping in view the market conditions and bank's business plans.
- (e) ALCO shall discuss implementation, risks involved of any new assets or liability products, having bearing on liquidity or interest income.
- (f) To monitor the quality of MIS especially with regard to ALM data collection and use of the same for business decisions.
- (g) To approve Bank's Business Plan with modification, if any, after considering various risks involved.
- (h) Ensure implementation of Reserve Bank of India / NABARD directives in respect of ALM and appraise the Managing Committee from time to time.

The ALCO shall meet at monthly intervals under the chairmanship of the Chief Executive Officer.



5. Liquidity Risk Management:

This involves measuring and managing liquidity needs and vital activities of the Bank including its liquidity position on an on-going basis and to examine how liquidity requirements are likely to evolve under crisis situations and place the same before the Chief Executive Officer/ ALCO from time to time on the basis of requirements.

In view of composite nature of Assets and Liabilities in the Bank, ALCO shall give more stress on market liquidity than product liquidity as in adverse conditions commonly known liquid assets may turn ill liquid.

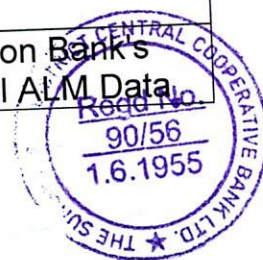
For measuring and managing net funding requirements, use of maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates shall be adopted as a standard tool.

The Bank shall assess liquidity on the basis of the following standard liquidity ratios.

- Loan to Total Assets Ratio
- Loan to Core Deposits Ratio
- Purchase funds to Total Assets Ratio
- Loan Losses to Net Loans Ratio
- Core Deposits to Core Assets Ratio
- Purchased funds to liquid assets Ratio

To monitor liquidity mismatch in short, medium and long term, the structural liquidity statement compiled on the basis of the following scenario is adopted by the Managing Committee.

Roll over of Term	Behavioural Pattern		Remarks
	SB Deposits volatility	Current / Demand Deposits Volatility	
75%	10%	1 5%	Based on Bank's historical ALM Data



Considering the Reserve Bank of India/ NABARD guidelines in respect of distribution of liabilities (outflows) and assets (inflows) and also as in the above table, the format of structural liquidity statement shall be followed.

5.1. Tolerance Limits:

Keeping in view the mismatches on cash inflows and outflows, in order to get early warning signals of impending liquidity problems, as per the guidelines of the Reserve Bank of India/ NABARD, negative tolerance limits are fixed as under.

Buckets	1-14 days	15-28 days	29 days up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 3 year	Over 3 years up to 5 Year	Over 5 years
Tolerance limits in %	-20	-20	-25	-15	-15	-10	-10	-30

These tolerance limits shall be reviewed / re-fixed at yearly intervals.

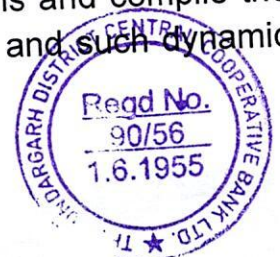
5.2. Stress Tests:

ALCO shall review the stress on Banks liquidity profile by assuming rollover of Term deposits at 25% and at 50% unlike as suggested above of 75% and suggest corrective steps if any to the Bank with the concurrence of the Managing Committee.

The Computer Cell shall evolve suitable software and incorporate the same in the proposed Core Banking Solution (CBS) capable of conducting such stress / variance tests / analysis. Embedded options risk in term deposits and loans and risks associated with interest rate risk shall be analysed by using the software.

5.3. Dynamic Liquidity:

The Bank shall analyse liquidity on dynamic basis over the time horizon of 1-90 days as per Reserve Bank of India/ NABARD norms and compile the same on monthly basis as on the last day of the month and such dynamic



liquidity statement be placed before Managing Committee for perusal from time to time.

6. Interest Rate Risk (IRR) :

Interest Rate Risk is the risk where changes in market interest rates might adversely affect a Bank's financial condition. Impact of interest rate movement has been perceptible on Net Interest Margin of the Bank over the years. As per the guidelines of Reserve Bank of India/ NABARD, the impact will be studied on 8 buckets on a monthly basis and presented to the Managing Committee with ALCO recommendations. Risks such as embedded option risk, reinvestment risk, credit default risk shall be carefully looked into by ALCO keeping in view re-pricing risk involved in each case and its impact on the liquidity and net interest income of the Bank.

6.1. Tolerance limits:

The Bank shall fix-up tolerance limits for gaps up to one year in each time buckets based on the average rate sensitivity. Assets projected from interest rate sensitivity statement and also projected Net Interest Income and Net Interest Margin of the Bank as at the end of the financial year.

The gap is the difference between the amount of assets and liabilities on which the interest rates are reset during a given period. These gaps shall have a desirable tolerance limits and Bank shall always aim at keeping its rate sensitive assets and liabilities within these fixed limits. As Net Interest Income (NII) and Net Interest Margin (NIM) are calculated on a yearly basis, the gaps shall be carefully monitored in the first 4 buckets up to 1 year viz. 1-28 days, 29 days to 3 months, 3 to 6 months and 6 months to one year.

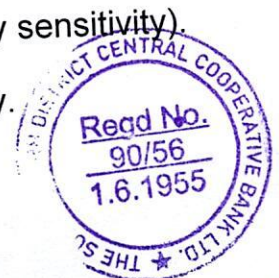
The tolerance limits are fixed for various time buckets as under.

TIME BUCKETS	TARGET GAP AS % OF TOTAL ASSETS under normal scenario
1 - 28 Days	4.00
29 Days - 3 Months	4.00
> 3 Months - 6 Months	4.00
> 6 Months - 1 year	4.00

In the event of rate sensitive gaps go beyond the limits fixed above due to unforeseen circumstances, the Bank shall embark upon changing Asset and Liability sensitivity by adopting the following strategies.

i) When interest rate is expected to increase (to reduce liability sensitivity)

- Create more floating rate assets and fixed rate liability.



- Create short-term assets to take advantage of re-pricing rates also reduced investment portfolio maturities.

ii) When interest rate is expected to decrease (to reduce Asset sensitivity)

- Create more fixed rate assets and floating rate liability and also extend investment portfolio maturities.
- Create short term liability such as short term borrowings and floating rate deposits to take advantage of the decreasing re-pricing rates.

7. Pricing of Deposits and Advances Products:

ALCO shall decide pricing of deposits and advances products based on recommendations of the Finance and Accounts Department and Credit and Investment Department (C&ID) of the Bank respectively from time to time.

The following important factors shall be taken into consideration by ALCO before clearing proposals of product pricing.

- a) Cost of funds to the Bank.
- b) Yield on advances and investments of SLR and Non SLR funds.
- c) Bank's current and past 2 years growth in deposits and advances.
- d) Pricing strategy of other Banks.
- e) The impact of the suggested rate change on Net Interest Income (NII).
- f) Interest rate perception on the future rate movements and the associated risks involved shall have a bearing on the pricing of deposit and loan products.
- g) The gaps in interest rate sensitivity statement.

8. Reports:

The ALM Desk shall prepare the following reports and present the same before the ALCO on a monthly basis with recommendations of specific strategy if required.

- Statement of structured liquidity (SLS)
- Statement of Interest Rate sensitivity (IRS)
- Statement of Dynamic Liquidity
- Exceptional statement on exceeding tolerance limits.



ALM Desk also shall prepare and submit such reports / statements to the Managing Committee / regulatory authorities as would be required from time to time.

9. The ALCO shall review the following aspects of Asset Liability Management from time to time and place the same before the Managing Committee for decision as and when required.
- Acquisition and modification of software to gather large volume of qualitative ALM Data on a monthly basis or more frequently as would be required by the Reserve Bank of India/ NABARD from time to time.
 - Fixation of responsibility on the officers in each of the Branches and in the Head Office for generation of accurate data for the purpose of ALM.
 - To develop and train branch staff / ALM people professionally in order to enable them to keep abreast with latest tools and techniques in these areas.
 - To train the Concurrent Auditors to undertake the audit of ALM system in the Bank once in a year.
 - To review and re-fix tolerance limits, on yearly basis and aim at maximizing gains to the Bank by adopting ALM system analysis and report to the Managing Committee.
 - To review the ALM policy at regular intervals to adopt changes in guidelines those may be advised by Reserve Bank of India / NABARD from time to time and report to the Managing Committee.


Chief Executive Officer
21/7/2025

