HO/01/PLANNING/2025-26/56 Date: 14-05-2025

| Circular Letter to all Branches & Offices |
| --- |
| Issued by Planning Department |

Madam/Dear Sir,

**Re: - Asset Liability Management Policy**

Branches & offices are hereby informed that the Asset Liability Management Policy of the bank has been approved by the Hon'ble Board of Directors through agenda number 15 in its meeting dated 07-05-2025. The policy has come into force with immediate effect & the policy will be reviewed on yearly basis. Board approved Asset Liability Management Policy is attached with this circular.

Kindly arrange to bring the contents of this Policy in the notice of all staff members posted at Branch/Office.

Yours faithfully

(Ghanshyam Singh)
**General Manager**

**Encl:** Asset Liability Management Policy along with its annexures.

# UTTAR PRADESH GRAMIN BANK

# Asset Liability Management Policy

## (May-25 to April-26)

उत्तर प्रदेश ग्रामीण बैंक
UTTAR PRADESH GRAMIN BANK
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**Document Information-**

| | |
|---|---|
| Document Name | Asset Liability Management Policy |
| Document ID | 01/ ALM Policy |
| Document Owner | Planning Department |
| Document Version No. | 01 |
| Document Version Date | |
| Prepared By | Functional Committee of Planning Department |
| Reviewed By | Steering Committee of Bank |
| Approved By | |

**Distribution List-**

| Version No. | Name | Designation | Department |
|---|---|---|---|
| 01 | All Personnel within Uttar Pradesh Gramin Bank | NA | All Departments, Controlling Offices and Branches. |

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**Background:-**

Bank's Asset Liability Management (ALM) philosophy is aimed at accomplishing its mission of profit maximizing through efficient market risk management by ensuring returns commensurate with the level of risk taken. In an increasingly deregulated market, banks are facing greater exposure to market risks, viz. interest rate risk, foreign exchange risk, and liquidity/ commodity price risk. Asset Liability Management System provides a comprehensive and dynamic framework for measuring, monitoring and managing not only these risk but also liquidity risk.

**Asset Liability Management guidelines are being prepared as per instruction of NABARD vide their letter No.NB.DOS:HO:POL/1323/P-108/2008-09 dated 30.06.2008**

**Objectives of ALM Policy:**

- Setting guidelines for management of Liquidity Risk and Interest Rate Risk.
- Setting market risk limits, other than those defined in the Investment Policy.
- Efficient liquidity risk management for ensuring bank's ability to meet its liabilities as they become due.
- Interest rate risk management to keep the volatile of the net interest margin within acceptable limits.
- Setting the profit planning and growth projections like net interest margin, Market value of equity etc.

**Thus the areas of consideration of the policy for ALM are:**

- Liquidity and funding risk.
- Interest rate risk.
- Forex rate risk
- Pricing risk in relation to interest rate fluctuation.
- Pricing of lending and deposit rates.
- Allocation of resources.

**ALM – Organization:**

As per NABARD guidelines the Board of Directors has overall responsibility for deciding the Risk Management Policy of the bank and setting of potential limits.

ALM is the function of Asset Liability Management Committee (ALCO), which will operate under the guidance and supervision of the Board and /or Sub-Committee of Board on ALM and Risk Management.

**Structure of Sub- Committee of the Board on Asset Liability Management:-**

As per NABARD guidelines for the introduction of Asset- Liability Management (ALM) in RRBs (circular no.NB.DoS.HO.POL/1323/P-108/2008-09 dated 30 June 2008), the Board should have overall responsibility for management of risk and should decide the Risk Management Policy and procedures, set prudential limits, auditing, reporting and review mechanism in respect of liquidity, interest rate and forex risk. ALM is the function of Asset Liability Management Committee (ALCO) which should operate under the guidance and supervision of the Board or Sub-Committee of Board. Sub-Committee of the Board on ALM is headed by director from RBI. The structure of the Sub-Committee shall be as under:-

| Designation | Head/Member of Sub-Committee |
|---|---|
| Director from RBI | Head of the Sub-committee |
| Director from Central Govt. | Member of the Sub-committee |
| Director from NABARD | Member of the Sub-committee |
| Director from DIF | Member of the Sub-committee |
| Any one Director from Sponsor Bank | Member of the Sub-committee |

The quorum for the meeting of ALM committee shall be three members. Director from NABARD shall chair the meeting is the absence of Head of the Sub-committee. The ALM committee shall endeavor to meet at least once in a quarter.

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**Asset Liability Management Committee (ALCO)**

Liquidity and Market Risk Management functions are centralized at Head Office/ corporate level with the Asset Liability Management Committee (ALCO). It is the Top operational unit for managing the balance sheet with in the performance / risk parameters specified by the Board.

Asset Liability Management Committee (ALCO) is headed by the Chairman consisting of following Officers:-

| | |
|---|---|
| Chairman | Head of Committee |
| General Manager | Vice Chairman |
| AGM (Risk & Compliance) | Member |
| GM/AGM (Credit) | Member |
| Head of Department (Opr.& Inv.& Plg.& Acc.) | Member |
| Head of Department (Recovery) | Member |
| Head of Department (HRM) | Member |
| Head of Department (IT/CBS) | Member |
| Head of Department (ADV) | Member |
| HoD/In-charge (Risk & Compliance) | Member |
| SM/ Manager (Investment) | Member |
| Senior Manager (Planning) | Convener of ALCO |

The Chairman shall be empowered to make necessary changes in constitution of ALCO. Depending on the subject dealt the functionaries other than mentioned in the above table will be called as invitees from time to time. The quorum for meeting of ALCO shall be seven members. The Vice Chairman (General Manager) shall chair the meeting in the absence of Chairman of ALCO.

The ALCO shall endeavor to meet at least once in a quarter.

**Functions of ALCO:-**

The ALCO is responsible for Balance Sheet planning from risk returns perspective, particularly strategic management of interest rate and liquidity risk. ALCO is also responsible for establishing ALM monitoring and management procedures as per risk management guidelines issued by regulator and adhering to parameters, procedures and policies decided by the Board. Towards this end, the ALCO would focus on the following business issues:-

1. Product pricing (Interest rate) for deposits and advances.
2. Deciding on desired maturity profile and mix of incremental assets and liabilities.
3. Articulating interest rate view of the bank and deciding on the future business strategy.
4. Reviewing and articulating funding policy, including liquidity management.
5. Monitoring and managing exposures/ mismatches.
6. Reviewing impact on monetary policies and economic/ political changes on the balance sheet.
7. Deciding the transfer pricing policy (TPM) or TPM of the bank.
8. Recommending changes in the liquidity and interest rate sensitivity mismatch limits or any provision of this policy.
9. Monitoring the structure of Balance Sheet in light of Capital Adequacy requirement.

ALCO draws upon the expertise available in the functional areas as above from the notes put by the concerned department.

Any matter relating to size, composition and price of assets and liabilities will be the functional areas of ALCO. ALCO has the overall responsibility of spread management. Therefore, deposit rates, lending rates, concession and loading to lending rates, transfer pricing etc. will be first placed before ALCO and on its approval to the Board if directed by ALCO or if required under regulatory guidelines.



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**Data extraction and coverage:**

As per NABARD guidelines the data extraction and coverage will be done by computerized technique like Duration Gap Analysis, Simulation and Value at Risk (VaR) for interest rate risk Management.

Therefore in the light of above guidelines the data extraction and coverage will be done as under:-

- Consolidated statement of the bank business at weekly, monthly or quarterly intervals and Balance sheet which cover 100% of Assets & Liabilities are taken as base figures. The data will be obtained from CLORET and other IT system as well as others format prescribed by the bank.

The changes in the business figures reported in daily/ weekly / monthly statements of the bank as available from the data for which consolidated figures are available, to the date for which structural liquidity statement is to be prepared, are added or subtracted to the base figures to arrive at overall estimated business figures of the bank for the structural liquidity statement.

- Residual maturity pattern of Term Deposits & Advances o/s shall be extracted from CBS Platform/System.
- Residual maturity pattern of investments will be obtained from the Investment Deptt. On quarterly basis.

**Liquidity Risk Management.**

Measuring and managing liquidity risk are among the most vital activities of the bank. By ensuring the bank's ability to meet its liabilities as they become due, liquidity management can reduce the probability of an irreversible adverse situation developing. The analysis of liquidity requires bank management to measure not only the liquidity position of the bank on an ongoing basis but also to examine how funding requirements are likely to evolve under crisis scenarios.

The bank will manage the liquidity risk by Traditional Gap Approach.

**Liquidity Risk Management through "Traditional Gap Approach":**

1. For measuring the liquidity risk, Bank shall use maturity ladder and calculation of gaps (surplus /deficit) between inflows and outflows of funds as per NABARD guidelines.
2. The statement of structural liquidity will be prepared by placing all cash inflow & out flow in the maturity ladder according to the expected timing of Cash Flows in the format prescribed by NABARD for preparation of structural liquidity statement.
3. The guidelines for classification of various components of assets and liabilities into different time buckets for preparation of structural liquidity statement, as provided by NABARD will be followed. For certain other items of assets and liabilities, which are of non-maturity in nature and where NABARD has not provided any norm for classification in to different time buckets the norms prescribed in ALM policy, discussed hereafter, will be followed.
4. For the bucketing of current deposits, saving deposits Cash Credit, overdraft and Bills payable information will be provided by the bank's data center.

The Maturity Profile as given in Appendix I could be used for measuring the future cash flows of Bank in different time bands as per the matrix prescribed by RBI as under:

Maturity Profile – Liquidity Risk

| Heads | Classification into time bands |
|---|---|
| A. Outflows | |



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|---|---|
| 1.Capital, Reserves and Surplus | Over 5 year's band. |
| 2.Demand Deposits (Current and Savings Bank Deposits) | Savings Bank and Current Deposits may be classified into volatile and core portions. Savings Bank (10%) and Current (15%) Deposits are generally withdrawable on demand. This portion may be treated as volatile. While volatile portion can be placed in the first time band i.e., 1-14 days, the core portion may be placed in over 1- 3 years' time band.<br>The above classification of Savings Bank and Current Deposits is only a benchmark. Banks which are better equipped to estimate the behavioral pattern on renewals, premature closures, etc. on the basis of past data/empirical studies could classify them in the appropriate time bands, i.e. behavioral maturity instead of contractual maturity, Subject to the approval of the Board/ALCO. |
| 3.Term Deposits | Respective residual (remaining period to maturity) time bands. Banks which are better equipped to estimate the behavioral pattern on renewals, premature closures, etc. on the basis of past data/empirical studies could classify the retail deposits in the appropriate time bands on the basis of behavioral maturity rather than residual maturity.<br>However, the wholesale deposits (deposits over Rs.01 Crore and inter- bank deposits) should be shown under respective residual time bands. |
| 4. Certificates of Deposit, Borrowings and Bonds (including Sub-ordinated Debt) | Respective residual time bands. |
| 5. Other Liabilities and Provisions | |
| i) Bills Payable | 1-14 days' time band. |
| ii) Branch adjustments | The net credit balance may be shown in 1-14 days' time band. |
| iii)Provisions other than for loan loss and depreciation in investments. | Respective time bands depending on the purpose. |
| iv)Other Liabilities | Respective time bands. Items not representing cash payables (i.e. guarantee fee received in advance, etc.) may be placed in over 5 years' time bands. |

**Inflows:**

| | |
|---|---|
| 1. Cash | 1-14 days' time bands. |
| 2. Balances with RBI/Public Sector Banks for CRR/ SLR purpose | While the excess balance over the required CRR/SLR may be shown under 1-14 days' time bands, the Statutory Balances may be distributed amongst various time bands corresponding to the maturity profile of<br>DTL with a time-lag of 28 days. |





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|---|---|
| 3. Balances with other Banks<br>(i) Current Account | (i) Non-withdrawable portion on account of stipulations of minimum balances may be shown under over 1-3 years' time band and the remaining balances may be shown under 1-14 days' time band. |
| (ii) Money at Call and Short Notice, Term Deposits and other placements | (ii) Respective residual maturity time bands. |
| 4. Investments (Net of provisions) | |
| (i) Approved securities | (i) Respective residual maturity time bands excluding the amount required to be reinvested to maintain SLR corresponding to the DTL profile in various time bands. |
| (ii) PSU bonds, CDs and CPs, Units of UTI (close ended), etc. | (ii) Respective residual time bands. Investments classified as NPAs should be shown under over 3-5 years' time bands (sub-standard) or over 5 years' time band (doubtful). |
| (iii) Equity of All India FIs, Units of UTI (open ended) | (iii) Over 5 years' time bands. |
| (iv) Securities in the Trading Book< | (iv) 1-14, 15-28 and 29-90 time bands corresponding to defeasance periods. |
| 5. Advances (Performing) | |
| (i) Bills Purchased and Discounted (including bills under DUPN) | (i) Respective residual maturity time bands. |
| (ii) Cash Credit / Overdraft (including TOD) and Demand Loan component of Working Capital. | (ii) Banks should undertake a study of behavioral and seasonal pattern of availments based on outstanding and the core and volatile portion should be identified. While the volatile portion could be shown in the<br>Near-term maturity time bands, the core portion may be shown under over 1-3 year time band. |
| (iii) Term Loans | (iii) Interim cash flows (instalments) should be shown under respective maturity time bands. |
| 6. NPAs (Net of ECGC/DICGC) | Provisions Interest Reserves and claims received From overdue |
| (i) Sub-standard | (i) Over 3-5 years' time band. |
| (ii)Doubtful and Loss | (ii) Over 5 years' time band. |
| 7. Fixed Assets | Over 5 years' time bands. |
| 8. Other Assets<br>(i) Branch Adjustments | The net debit balance may be shown in 1-14 days' time band. Intangible assets and assets not representing cash receivables may be shown in over 5 years' time band. |
| C. Contingent Liabilities/ Lines of Credit committed / available and other Inflows / Outflows | |

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| (i) Unavailed portion of Cash Credit/ Overdraft / demand loan component of Working Capital limits (outflow) | i) Banks should undertake a study of the behavioral and seasonal pattern of potential availments in the accounts and the amounts so arrived at may be shown under relevant residual maturity time bands within 12 months.<br>ii) 1-14 days' time band. |
| Letters of Credit/ Guarantees devolvement (outflow) | Based on past history, these should be distributed across time bands. |
| Repos / Bills Rediscounted (DUPN) (outflow / inflow) | Respective residual maturity time bands. |
| Interest payable / receivable (outflow / inflow) – Accrued interest which are appearing in the books on the reporting day | Respective time bands. |

The Balances in the heads will be classified into different time buckets as under:-

| | | |
|---|---|---|
| Outflow | Current Deposits | 1-14 days, 15-28days, 1-3 years , and over 5 years |
| | Saving Deposits | 1-14 days, 15-28days, 1-3 years , and over 5 years |
| | Bills payable | 1-14 days |
| Inflow | Cash Credit | 1-14 days, 15-28days, 1-3 years , and over 5 years |
| | Overdraft | 1-14 days, 15-28days, 1-3 years , and over 5 years |

As per NABARD guidelines the excess balance over the required CRR/SLR may be shown under 1-14 days' time bands, the statutory balance may be distributed amongst various time bands corresponding to the maturity profile of DTL with a time-lag of 28 days.

**All contingent liabilities will be estimated and placed in gap reported as under:-**
Unavailed portion of cash credit/overdraft: Potential availment in the unavailed portion of CC/OD accounts (excluding where limit utilization is 100% or more) will be worked out as under:-

1. Quarter wise percentage of utilization of limits will be worked out for the last 4 quarters based on the sanctioned limit and balance outstanding (Cr. Balance to be ignored) on the last day of the respective quarters.
2. Difference between the percentages of utilization from the above worked out. The difference obtained for each consecutive quarter is divided by the unavailed percentage of each preceding quarter. The highest percentage thus obtained is treated as potential percentage availment of the unavailed portion.
3. The unavailed portion is worked out through the latest quarter's information by taking the difference between the total limits and the outstanding balance (Cr. Balance ignored).
4. The potential availment amount is worked out by multiplying the potential percentage availment ( worked out in point no.2 above) to the unavailed amount (as obtained in point (3) above) and this is distributed uniformly up to one year buckets in proportion of number of days.



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**Letter of Credit/ Bank Guarantee:-**

Expected devolvement in LC will be worked out separately as under:-

- Quarter wise total amount devolved for the previous four quarters would be taken and its average would be worked out.
- Since devolvement of L/C initially entails cash out flows and subsequently amount gets recovered, the actual devolvement will be limited to one quarter figures on an average.
- Bank guarantee is normally not expected to devolve on the bank. Therefore devolvement under Bank Guarantee will be bucketed in proportion of number of days up to one year.
- The average so worked out as above will be the likely devolvement amount and would be distributed uniformly up to 90 days buckets in proportion of number of days to depict outflow of funds, in respect of Letter of Credit. In respect of Bank Guarantee the likely devolvement will be distributed up to one year in the proportion of number of days in each time bucket.

All other assets and liabilities where specific maturity dates are available will be bucketed to respective maturity buckets and the assets and liabilities for which specific maturity dates are not available and which do not represent cash payable or cash receivable will be bucketed in Over 5 years bucket.

Details of bucketing of all items of assets and liability and off balance sheet for the preparation of structural liquidity statement have been provided in **Appendix-I.**

**Structural Liquidity – Prudential limits:-**

As per NABARD guidelines, RRBs however, are expected to monitor their cumulative mismatches (running total) across all time bands by establishing internal prudential limits with the approval of the Board. The mismatches (negative gap between cash inflow & outflow) during 1-14 and 15-28 days' time bands in normal course should not exceed 20% of the cash out flows in each time band.

In the light of new ALM guidelines of NABARD, it is proposed to fix prudential gap limits as under:-

| Sl. No. | Time Bucket | Negative Gap limit% | |
|---|---|---|---|
| | | **As per NABARD guidelines(not exceeded of cash flow)** | **Proposed for approval for the Bank( not exceeded of cash flow)** |
| 01 | 1-14 days & 14-28 days | 20% | 20% |
| 02 | 29days to 3 months | * | 40% |
| 03 | Over 3 months to 6months | * | 60% |
| 04 | Over 6 months to 1 year | * | 60% |
| 05 | Over 1 year to 3 years | * | 45% |
| 06 | Over 3 year to 5 years | * | 40% |
| 07 | Over 5 years | * | 40% |
| 08 | Cumulative mismatch up to 1 year | * | 50% |

(* NABARD has not stipulated any limit for these buckets.)



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**Short-term Dynamic Liquidity:**

In order to enable the bank to monitor their short term liquidity on a dynamic basis over a time horizon spanning from 1-90 days, bank may estimate their short term liquidity profile on the basis of business projections and other commitments for planning purposes.

Negative gap in Short-term dynamic liquidity statement ( cumulative up to 90 days ) after taking into consideration net increase in deposits, advances and investments but excluding unavailed limit in refinance and borrowing facilities, should not exceed 10 percent.
Back testing of Short-term dynamic liquidity statement should be carried out once in a year and the results obtained should be used as a input for further fine tuning of the statement and utilizing it as decision supporting tool for business development. The Short-term Dynamic Liquidity statement shall be submitted to NABARD through ENSURE portal as per **Appendix-III**.

**Contingency Plan:**

Strategies for managing Short Term liquidity mismatches will be made through the contingency plan by utilization of refinance limits from NABARD, Sp. Bank, NHB, SIDBI & other agencies, CBLO borrowing, Sale of excess SLR investments kept in held for trading or available for sale categories.
Adequacy of the contingency plan to meet Short Term fund requirement should be reviewed by ALCO regularly through structural liquidity gap analysis.

**Currency Risk:-**

At present Bank is not doing foreign exchange business.

**Interest Rate Risk (RII).**

Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. The changes in interest rates affect banks in a larger way. The immediate impact of changes in interest rates is on bank's earning by changing its Net Interest Income (NII). A Long Term impact of changing interest rates is on bank's Market Value of Equity (MVE) or Net Worth as the economic value of bank's assets, liabilities and off – balance sheet positions gets affected due to variation in market interest rates. The interest rate risk when viewed from these two perspectives is known as "earning perspective" and economic value perspective. There are many analytical tools for measurement and management of Interest Rate Risk. In the context of weak MIS, the **"Traditional Gap Analysis"** is considered as a suitable method to measure the Interest Rate Risk in the first place.

**Traditional Gap Analysis:-**

Simple Gap model will be used for the measurement of interest rate sensitivity .The exercise will be done for the last working day of the quarter and reported to ALCO.
The Interest Rate Sensitivity gap is measured as the difference between Rate Sensitive Assets (RSAs) and Rate Sensitive Liabilities (RSLs), including off-balance sheet positions. The reporting format prescribed by NABARD for Interest Rate Sensitivity gap report will be used for this purpose.
The statement of Interest Rate Sensitivity is generated by grouping rate sensitive liabilities and rate sensitive assets and off-balance sheet position into time buckets according to residual maturity or next repricing period, whichever is earlier. The benchmark classification of various items of rate sensitive assets and liabilities and off – balance sheet items, as provided by NABARD will be followed which is enclosed as **Appendix II.**

In interest rate sensitivity gap report, all advances that are linked to interest rate (BPLR/Base Rate) are supposed to be placed in the period (bucket) in which interest rate is expected to change. As & when gap report are prepared expected date of revision of interest rate has to be estimated and advances that come under interest rate to be placed in specific bucket.



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The Gap is the difference between Rate Sensitive Assets **(RSA)** and Rate Sensitive Liabilities **(RSL)** for each time band. The positive Gap indicates that it has more RSAs than RSLs whereas the negative Gap indicates that it has more RSLs. The Gap report indicate whether the institution is in a position to benefit from rising interest rate by having a positive Gap ( RSA>RSL) **OR** whether it is in a position to benefit from declining interest rate by a negative Gap ( RSL > RSA) The Gap can, therefore be used as a measure of interest rate sensitivity.

**Interest Rate Sensitivity – Prudential Limits:-**

The NABARD has not prescribed any limit on the individual gaps for interest rate sensitivity. However, the guidelines stipulate that each bank should set prudential limits on individual Gaps with the approval of the Board. The prudential limits should have a bearing on the Total Assets, Earning Assets or Equity. In this context the following prudential limits for Interest Rate Sensitivity are suggested:-

| Maturity Bucket | Interest Rate Sensitivity (Negative Gap) |
|---|---|
| 1-28 days | 20% of total Rate Sensitive assets |
| 29 days to 3 months | 20% of total cumulative Rate Sensitive assets |
| Over 3 months to 6 months | 20% of total cumulative Rate Sensitive assets |
| Over 6 months to 1 year | 20% of total cumulative Rate Sensitive assets |
| Over 1 year to 3 years | 15% of total cumulative Rate Sensitive assets |
| Over 3 years to 5 years | 2.5% of total cumulative Rate Sensitive assets |
| Over 5 years | 2.5% of total cumulative Rate Sensitive assets |

In case of need, up to 50% of individual gap limits specified against each maturity bucket between one day and up to one year may be allowed to cumulate to immediate preceding or immediate succeeding maturity bucket and will be reported to ALCO.

As per the RBI guidelines Liabilities/Assets heads shall be placed in to different sensitivity zone as under:

| Heads of Accounts | Rate sensitivity and time band |
|---|---|
| Liabilities | |
| 1. Capital, Reserves and Surplus | Non-sensitive. |
| 2. Current Deposits | Non-sensitive. |
| 3. Savings Bank Deposits | Sensitive to the extent of interest paying (core) portion. This should be included in over 3-6 months' time band. The non-interest-paying portion may be shown in non-sensitive band. |
| 4. Term Deposits and Certificates of Deposit | Sensitive; reprices or resetting of interest rates on maturity. The amounts should be distributed to different time bands on the basis of remaining term to maturity. |
| 5. Borrowings – Fixed | Sensitive; reprices on maturity. The amounts should be distributed to different time bands on the basis of remaining maturity. |

| | |
|---|---|
| 6. Borrowings – Floating | Sensitive; reprices when interest rate is reset. The amounts should be distributed to the appropriate time band that refers to the resetting date. |
| 7. Borrowings – Zero Coupon | Sensitive; reprices on maturity. The amounts should be distributed to the respective maturity time band. |
| 8. Borrowings from RBI | Up to 3 months' time band. |
| 9. Refinances from other Agencies. | Fixed rate : As per respective Maturity. Floating rate: Reprices when Interest rate is Reset. |
| 10. Other Liabilities and Provisions<br>i) Bills Payable<br>ii) Branch Adjustments<br>iii) Provisions<br>iv) Others | <br><br>i) Non-sensitive.<br>ii) Non-sensitive.<br>iii) Non-sensitive.<br>iv) Non-sensitive. |
| 11. Repos / Bills Re-discounted (DUPN), | Sensitive reprices only on maturity and should be distributed to the respective maturity bands. |
| Assets | |
| 1. Cash | Non – sensitive. |
| 2. Balances with RBI | Interest earning portion may be shown in over 3 – 6 months' time band. The balance amount is non-sensitive. |
| 3. Balances with other Banks | |
| i) Current Account | i) Non-sensitive. |
| ii) Money at Call and Short Notice, Term Deposits and other placements | ii) Sensitive on maturity. The amounts should be distributed to the respective maturity bands. |
| 4. Investments (Performing). | |
| i) Fixed Rate / Zero Coupon | i) Sensitive on maturity. |
| ii) Floating Rate | ii) Sensitive at the next repricing date |
| 5. Shares of All India FIs/Units of UTI | Non-sensitive. |
| 6. Advances (Performing) | |
| Bills Purchased and Discounted (including bills Under DUPN) | (i) Sensitive on maturity. |
| Cash Credits / Overdrafts (including TODs) / Loans repayable on demand and Term Loans | (ii) Sensitive; may be shown under over 3-6 months' time band. |
| 7. NPAs (Advances and Investments) * | |
| (i) Sub-Standard | (i) Over 3-5 years' time band. |
| (ii) Doubtful and Loss | (ii) Over 5 years' time band. |





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|---|---|
| 8. Fixed Assets | Non-sensitive. |
| 9. Other Assets. Inter-office Adjustment Others | Non-sensitive. Non-sensitive. |
| 10. Other products (Interest Rate) | |
| (i) Other | (i) Should be suitably classified as and when introduced. |

**Earning at Risk:**

Impact on Bank's net interest income (NII) is worked out for the period of next one year by analyzing the impact due to an adverse change in interest rate on the rate sensitive gap position up to one year time buckets

The EaR will be calculated for last reporting Friday of each quarter and reported to ALCO.

EaR will be calculated for the following scenarios:

It is assumed that the change in interest rates is general, unidirectional and is applicable by the same amount and the same time on all rate sensitive assets and liabilities, for working out the decline in NII.

**Basis Risk:**

The change in the rate of interest on different assets and liabilities comes with different magnitudes which are referred to as the basis risk. When the basis risk causes the NIM to expand it is favorable but when it contracts the NIM it is unfavorable to the bank. So factoring in the basis risk, different rate shocks will be applied to the respective time buckets and the effect will be calculated for the next full year. The basis will be calculated once in a quarter and will be used for the next quarter.

**The bank also work out Earning at Risk (EaR) i.e.20-30% of the last years NII or Net Interest Margin ( NIM)** based on views on interest rate movement.

**Implementation:**

- Action plan of ALCO will be implemented by the respective Deptt. ALCO shall review implementation and apprise progress to ALCO/Sub-Committee of Board on ALM & Risk Management/Board periodically.
- Bank shall endeavor to maintain the exposures with in the prudential limits prescribed in ALM policy.

**Review of the Policy:-**

The ALM policy shall be reviewed on yearly basis.

**Reporting and Review:-**

The following review notes are also to be considered by ALCO with frequency mentioned and suitable corrections / adjustments in the policy decisions where ever required be brought about.

| Sl.No. | Particulars | Periodicity for review | Purpose | Reviewing Departments |
|---|---|---|---|---|
| 1 | Structural Liquidity | Quarterly | Liquidity risk management | ALCO,/to Board on quarterly Basis |
| 2 | Liquidity Risk Indicators | Quarterly | Liquidity risk management | ALCO,/To Board on quarterly Basis |
| 3 | Short-term Dynamic Liquidity | Quarterly | Liquidity risk management | ALCO,/To Board on quarterly Basis |
| 4 | Interest rate Sensitivity analysis | Quarterly | Interest Rate Risk Management | ALCO,/Board on quarterly Basis |



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ALCO will ensure the adherence to the ALM objectives and guidelines. The Deptt. Will apprise the position in this regard to ALCO and to Sub-Committee of Board on ALM on quarterly basis.

**Periodicity of ALCO- Meeting:-**
As per guidelines ALCO to meet normally on quarterly intervals.

**REPORTING TO NABARD:-**

**The progress report on ALM will be submitted to NABARD through ENSURE Portal on quarterly basis as per NABARD letter No NB.DoS.HO/OSS/4663/P.177/2017-18 Dated 09 March 2018.**

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## Appendix-I
### Statement of Structural Liquidity

Notes:

1. Savings Bank and Current Deposits may be classified into volatile and core portions. Some portion of Savings Bank (say 10%) and Current (say 15%) Deposits are generally withdraw able on demand. This portion may be treated as volatile. While volatile portion can be placed in the first time band i.e. 1-14 days, the core portion may be placed in over 1- 3 years' time band.
2. Net of provisions, interest suspense and claims received from ECGC/DICGC.

liability on account of event cash flows i.e. short fall in CRR/ SLR balance on reporting Fridays, wage settlement, capital expenditure, etc. which are known to the banks and any other contingency may be shown under respective maturity bands.

All overdue liabilities should be placed in the 1-14 days' time band.

Interest and installments from advances and investments, which are overdue for less than one month may be placed in over 3-6 months' time band. Further, interest and installments due (before over 6-12 months' time band if the earlier receivables remain uncollected.

| | Statement of Structural Liquidity - RRB | Residual Maturity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 to 14 days | 15 to 28 days | 29 days and up to 3 months | Over 3 months and up to 6 months | Over 6 months and up to 1 year | Over 1 year and up to 3 years | Over 3 years and up to 5 years | Over 5 years | Total |
| | **Outflows** | | | | | | | | | |
| 1 | Capital | | | | | | | | | |
| 2 | Reserves and Surplus | | | | | | | | | |
| 3 | Deposits | | | | | | | | | |
| 3.1 | Current Deposits 1 | | | | | | | | | |
| 3.2 | Savings Bank 1 | | | | | | | | | |
| 3.3 | Term Deposits | | | | | | | | | |
| 3.4 | Certificate of Deposit | | | | | | | | | |
| 4 | Borrowings | | | | | | | | | |
| 4.1 | Call and Short Notice | | | | | | | | | |
| 4.2 | Inter-bank (Term) | | | | | | | | | |
| 4.3 | Refinances | | | | | | | | | |
| 4.4 | Others Refinances | | | | | | | | | |
| 5 | Other Liabilities and Provisions | | | | | | | | | |
| 5.1 | Bills Payable5.1 | | | | | | | | | |
| 5.2 | Branch Adjustments5.2 | | | | | | | | | |
| 5.3 | Provisions5.3 | | | | | | | | | |
| 5.4 | Others_provision5.4 | | | | | | | | | |
| 6 | Lines of Credit Committed to | | | | | | | | | |
| 6.1 | Institutions | | | | | | | | | |
| 6.2 | Customers | | | | | | | | | |
| 7 | Unavailed Portion of Cash Credit/ Overdraft/ Demand Loan Component of Working Capital | | | | | | | | | |
| 8 | Letters of Credit/ Guarantees | | | | | | | | | |
| 9 | Repos | | | | | | | | | |
| 10 | Bills Rediscounted (DUPN)_repos | | | | | | | | | |
| 11 | Interest Payable | | | | | | | | | |
| 12 | Other Interest Payable | | | | | | | | | |
| A | **Total Outflows** | | | | | | | | | |
| | **Inflows** | | | | | | | | | |
| 1 | Cash | | | | | | | | | |
| 2 | Balances with RBI | | | | | | | | | |



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|---|---|---|---|---|---|---|---|---|---|---|
| 3 | Balances with Other Banks | | | | | | | | | |
| 3.1 | Current Account | | | | | | | | | |
| 3.2 | Money at Call and Short Notice, Term Deposits and Other placements and balances with other Banks | | | | | | | | | |
| 4 | Investments (including those under Repos but excluding Reverse Repos) | | | | | | | | | |
| 5 | Advances (Performing) | | | | | | | | | |
| 5.1 | Bills Purchased and Discounted (including bills under DUPN) | | | | | | | | | |
| 5.2 | Cash Credits, Overdrafts and Loans repayable on demand | | | | | | | | | |
| 5.3 | Term Loans | | | | | | | | | |
| 6 | NPAs (Advances and Investments) 2 | | | | | | | | | |
| 7 | Fixed Assets | | | | | | | | | |
| 8 | Other Assets | | | | | | | | | |
| 8.1 | Branch Adjustments8.1 | | | | | | | | | |
| 8.2 | Leased Assets8.2 | | | | | | | | | |
| 8.3 | Others-Leased Assets8.3 | | | | | | | | | |
| 9 | Reverse Repos | | | | | | | | | |
| 10 | Bills Rediscounted (DUPN)_reverse repo | | | | | | | | | |
| 11 | Interest Receivable | | | | | | | | | |
| 12 | Committed Lines of Credit | | | | | | | | | |
| 13 | Others-cumlines of credit | | | | | | | | | |
| B | **Total Inflows** | | | | | | | | | |
| C | **Mismatch (B-A)** | | | | | | | | | |
| D | **Cumulative Mismatch** | | | | | | | | | |
| E | **C as % to A** | | | | | | | | | |

उत्तर प्रदेश ग्रामीण बैंक
GORAKHPUR
UTTAR PRADESH GRAMIN BANK



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## Appendix-II

**Statement of Interest Rate Sensitivity Notes:**

1 Provisions to be shown excluding provisions for NPAs and Investments

2 Amount to be shown net of provisions, interest suspense and claims received from ECGC/DICGC

3 As and when RRBs are permitted to transact in these products

| | Statement of Interest Rate Sensitivity_RRB | Interest Sensitivity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 to 28 days | 29 days to 3 months | Over 3 months and up to 6 months | Over 6 months and up to 1 year | Over 1 year and up to 3 years | Over 3 years and up to 5 years | Over 5 years | Non-Sensitive | Total |
| | **Liabilities** | | | | | | | | | |
| 1 | Capital | | | | | | | | | |
| 2 | Reserves and Surplus | | | | | | | | | |
| 3 | Deposits | | | | | | | | | |
| 3.1 | Current Deposits | | | | | | | | | |
| 3.2 | Savings Bank Deposits | | | | | | | | | |
| 3.3 | Term Deposits | | | | | | | | | |
| 3.4 | Certificates of Deposit | | | | | | | | | |
| 4 | Borrowings | | | | | | | | | |
| 4.1 | Call and Short Notice | | | | | | | | | |
| 4.2 | Inter-bank (Term) | | | | | | | | | |
| 4.3 | Refinances | | | | | | | | | |
| 4.4 | Others | | | | | | | | | |
| 5 | Other Liabilities and Provisions | | | | | | | | | |
| 5.1 | Bills Payable | | | | | | | | | |
| 5.2 | Branch Adjustments | | | | | | | | | |
| 5.3 | Provisions 1 | | | | | | | | | |
| 5.4 | Others | | | | | | | | | |
| 6 | Repos | | | | | | | | | |
| 7 | Bills Rediscounted (DUPN) | | | | | | | | | |
| 8 | Others | | | | | | | | | |
| A | **Total Liabilities** | | | | | | | | | |
| | **Assets** | | | | | | | | | |
| 1 | Cash | | | | | | | | | |
| 2 | Balances with RBI | | | | | | | | | |
| 3 | Balances with Other Banks | | | | | | | | | |
| 3.1 | Current Account | | | | | | | | | |
| 3.2 | Money at Call and Short Notice, Term Deposits and Other placements and balances with other Banks | | | | | | | | | |
| 4 | Investments (including those under Repos but excluding Reverse Repos) | | | | | | | | | |
| 5 | Advances (Performing) | | | | | | | | | |
| 5.1 | Bills Purchased and Discounted (including bills under DUPN) | | | | | | | | | |
| 5.2 | Cash Credits, Overdrafts and Loans repayable on demand | | | | | | | | | |
| 5.3 | Term Loans | | | | | | | | | |
| 6 | NPAs (Advances and Investments) 2 | | | | | | | | | |
| 7 | Fixed Assets | | | | | | | | | |
| 8 | Other Assets | | | | | | | | | |
| 8.1 | Branch Adjustments | | | | | | | | | |
| 8.2 | Leased Assets | | | | | | | | | |
| 8.3 | Others | | | | | | | | | |
| 9 | Reverse Repos | | | | | | | | | |



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|---|---|---|---|---|---|---|---|---|---|---|
| 10 | Bills Rediscounted (DUPN) | | | | | | | | | |
| 11 | Others | | | | | | | | | |
| B | **Total Assets** | | | | | | | | | |
| C | **GAP (B-A)** | | | | | | | | | |
| | Other Products (Interest Rate) 3 | | | | | | | | | |
| 1 | FRAs | | | | | | | | | |
| 2 | Swaps | | | | | | | | | |
| 3 | Futures | | | | | | | | | |
| 4 | Options | | | | | | | | | |
| 5 | Others | | | | | | | | | |
| D | **Total Other Products** | | | | | | | | | |
| E | Net Gap (C-D) | | | | | | | | | |
| F | **Cumulative GAP** | | | | | | | | | |
| G | **E as % to B** | | | | | | | | | |



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## Appendix-III

**Statement of Short-term Dynamic Liquidity**
Indian Rupee (INR) Scaling Factor: `Lakh

| Statement of Short-term Dynamic Liquidity | | | | |
|---|---|---|---|---|
| | | **1-14 days** | **15-28 days** | **29-90 days** |
| | Outflows | | | |
| 1 | Net increase in loans and advances | | | |
| 2 | Net increase in Investments | | | |
| 2.1 | Approved Securities | | | |
| 2.2 | Money market Instruments (Other than Treasury bills) | | | |
| 2.3 | Bonds/ Debentures/ Shares | | | |
| 2.4 | Others_Bonds | | | |
| 3 | Inter-bank Commitments | | | |
| 4 | Off-balance sheet (Repos, bills discounted etc.) | | | |
| 5 | Others_Off balance | | | |
| A | **Total Outflows** | | | |
| | **Inflows** | | | |
| 1 | Net Cash Position | | | |
| 2 | Net increase in deposits (less CRR Obligations) | | | |
| 3 | Interest on Investments | | | |
| 4 | Inter-bank claims | | | |
| 5 | Off-balance sheet items (Reverse Repos, bills discounted etc.) | | | |
| 6 | Others_off reserves | | | |
| B | **Total Inflows** | | | |
| C | **Mismatch (B-A)** | | | |
| D | **Cumulative Mismatch** | | | |
| E | C as % to Total Outflows | | | |

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