ASSET LIABILITY MANAGEMENT POLICY

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1. Introduction

Reserve Bank of India had vide its guidelines issued in June 2001 (Circular DNBS (PD).CC.No.15 /02.01/ 2000-2001 dated June 27, 2001) and Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 updated as on May 31, 2018 and RBI circular DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated 4 November 2019 advised NBFCs to introduce an ALM system as part oftheir overall system for effective risk management in various portfolios. All NBFCs are required to put in place the ALM system. Taking into account the salient features enumerated in the latest guidelines, theALM policy is framed as under:

Background

Non-Banking Financial Companies (NBFCs) are exposed to credit and market risks in the normal course, in view of the asset-liability transformation. With liberalization in Indian financial markets over the last few years and growing integration of the domestic markets with external markets, the risks associated with the operations of an NBFC have become complex and large, requiring strategic management. NBFCs are operating in a fairly deregulated environment and are required to determine on their own, interest rates on advances and deposits, subject to the ceiling on maximum rate of interest they can offer on deposits, on a dynamic basis. The interest rates on investments of NBFCs in government and other securities are also market related. Intense competition for business involving both the assets and liabilities has brought pressure on the managements of NBFCs to maintain a good balance amongst spreads, profitability and long-term viability. These pressures call for structured and comprehensive measures and not just ad hoc action. The managements of NBFCs have to base their business decisions on a dynamic and integrated risk management system and process driven by corporate strategy. NBFCs are exposed to several major risks in the course of their business – credit risk, interest rate risk, liquidity risk, operational risk etc. It is, therefore, important that NBFCs introduce effective risk management systems that address the issues relating to interest rate and liquidity risk.

- Keen competition for business involving both assets and liabilities, together with increasing volatility in the domestic interest rates as well as foreign exchange rates requires managing balance between spread, profitability and long term viability of any organization engaged in financial services.

- The objectives of this Asset Liability Management is to identify the risk associated with the mismatches in assets and liabilities, establish organizational structure, tools, processes etc. necessary for measuring and managing interest rate risk and liquidity risk.

- An effective ALM process depends on every functionary in the Company, especially the line functionaries, as they undertake assets and liabilities in the Company books on day-to-day basis. The company hence believes that every functionary needs to play the role of Risk Manager supplemental to his/her primary designated role in the Company to guard the Company against the downside of interest rate risk and liquidity risk. Therefore, it is essential for all functionaries to familiarize themselves with ALM requirement and its strategies.

- The policy will keep evolving either in anticipation of or in response to the dynamics of business environment in which the Company operates or for an internally felt need, such as change in risk appetite, organizational restructuring, review of business strategy etc. ALCO committee would review the policy and suggest changes if any required before the annual review of the policy by the Board.

- The Company will abide by all guidelines, directives, instructions and advices of RBI under Non-Banking Financial Company framework as may be in force from time to time. This policy should be read in conjunction with these guidelines, directives, instructions and advices. The Company will apply best prevailing practice so long as such practice does not conflict with or violate RBI regulations., or any other statutory / regulatory guidelines, if force, which the Company may be required to comply with.

- This document is property of the Company. It contains information that is internal to the Company and is of competitive value and sensitive in nature. All employees must treat its contents as confidential to the Company and keep it secure.

2. Objectives of the Policy:

Objectives of the Policy are to put in place a strategic Assets Liability Management system in the Company, in order to achieve the following:

- To provide a reasonable assurance that the Company’s interest rate risk management objectives are achieved

- The assets and liabilities of the Company shall be managed in order to maximize shareholder value.

- To manage its asset cash inflows in relation to its liability cash outflows in a manner that contributes adequately to earnings and limits the risk to the financial margins.

- Financial derivatives instruments if any, must only be used to limit interest rate risk and must never be used for speculative or investment purposes.

- To manage liquidity risk and interest rate risk.

- To ensure that ALM objectives are in tune with corporate objectives.

- To optimize Net Interest Margin of the Company in short run and to maximize shareholder’s value in the long run.

3. Asset Liability Management

Over the last few years, Indian financial markets have witnessed wide-ranging changes. The interest rates are largely de-regulated. Greater competition has encouraged NBFCs to develop new financial products and services. Interest rate structure has become more complex. Further, products like interest Rate Swaps, Forward Rate Agreements etc. to hedge interest rate risk and change the profiles of assets and liabilities from fixed to floating and vice a versa have become common in the market. These products have therefore given flexibility to NBFCs to manage their assets and liabilities as per their interest rate view and alter their risk profile to better match their corporate objectives.

The fundamental focus of Asset Liability Management i s the protection and enhancement of Net Interest Margin in short run and enhancement of shareholders’ value (market value of equity) in the long run. The important aspect of this effort are liquidity management, interest rate risk management and pricing of assets and liabilities.

ALM encompasses the management of total balance sheet dynamics with regard to tits size, quality and risk. In other words, it can be defined as the construction of the assets & liability portfolio in a way that maximizes earnings in the short run and builds and preserves the economic value of the firm in the long run.

The Company's strategy aims to attain a structured Assets Liability Management (ALM) system in the Company with a view to managing for the time being, Liquidity Risk and Interest Rate Risk and eventually supplement all areas of Enterprise-wide Risk Management.

4. ALM Information Systems

Framework built on sound methodology with necessary information system as back up. MIS - Information availability, accuracy, adequacy and expediency are very critical, thus information is the key for implementation of ALM process. The organization shall have a reliable MIS designed to provide timely and forward-looking information on the liquidity position of the organization and the Group to the Board and ALCO, both under normal and stress situations. It should capture all sources of liquidity risk, including contingent risks and those arising from new activities, and have the ability to furnish more granular and time-sensitive information during stress events.

As a part of Management Information System (MIS), the party wise exposure will be reviewed from time to time by the Management. For this purpose the Finance Department shall prepare a monthly statement depicting the status as at the last day of the month and circulate to the members of the ALCO. This information shall contain the outstanding balance, any delay in servicing interest or repayment and the asset cover. The Risk involved in the investments and Loans may be highlighted to the Board by the Committee mentioned as under. The Loans and Investments made must be within the parameters set by RBI and further internal guidelines as per the investment Policy and Risk Management Policy. The basic reconciliation between balances as per accounts and as per ALM system shall be performed by the Finance & Account team. Secretarial team will provide necessary support to Finance & Account team in terms of generation of data, reports from ALM system/minutes.

5. ALM Organization

The Asset Liability Committee (ALCO)

ALM Committee, known as ALCO, shall be primarily responsible for ALM process in the Company. ALCO consisting of senior management personnel would be formed and it would be a decision making unit responsible for strategic management of interest rate and liquidity risks.

The Asset Liability Committee (ALCO) will be headed by the Chairman of the Company and will consist of the following members;

a) Chairman
b) CEO (Secretarial, Legal and Admin) & Company Secretary
c) CEO NBFC Operations
d) Chief Financial Officer
e) Two independent Director of the Company
f) One member responsible for IT.

ALCO will meet once every quarter and at other times depending on the exigencies. The details of the deliberation and minutes of the ALCO shall be submitted to the Investment / Loans and Risk Management Committee.

The quorum for any ALCO would be minimum 3 members is required to be present.

The senior management personnel, will be responsible for ensuring adherence to the limits set by the Board and compliance to the Investment Policy and the Risk Management Policy as well as for deciding the business strategy of the Company (on the assets and liabilities sides) in line with the company's budget and decided risk management objectives.

Asset Liability Management (ALM) Support Group

The ALM Support Group consisting of the operating staff shall be responsible for analysing, monitoring and reporting the liquidity risk profile to the ALCO. Such support groups will be constituted depending on the size and complexity of liquidity risk management in the organisation.

6. Roles and responsibilities of ALCO

The ALCO shall be responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the organisation. The role of the ALCO with respect to liquidity risk should include, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions of all branches.

i) Monitoring market risk management systems, compliance with the asset-liability management policy ; prudent gaps and tolerance limits and reporting systems set out by the Board of Directors and ensuring adherence to the RBI Guidelines issued in this behalf from time to time;
ii) Deciding the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
iii) Review the effects of various possible changes in the market conditions related to the balance sheet and recommend the action needed to adhere to the Company's internal limits;
iv) Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
v) Product pricing for both deposits and advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for similar services / products, etc.;
vi) Articulating the current interest rate view of the Company and decide the future business strategy on this view; and
vii) Deciding on the source and mix of liabilities or sale of assets.
viii) Compliance of Investment Policy and Risk Management Policy as also to various other Statutory, Legal and Regulatory compliances.
ix) Consider and reviewing assumptions for classification of components of assets and liabilities for different time buckets.
x) Constituting sub-committees/ALCO support group as may be required and review the functioning of the same.

7. ALM Process - Overview

The strategies, methodology and implementation of ALM process will be monitored / reviewed by ALCO from time to time. The Company shall take into account the benchmarks indicated in the Appendix I & II of circulars cited above or issued from time to time for classification and treatment of

various assets and liabilities into different time buckets. The company has developed monitoring system of Liquidity Risk and Interest Rate Risk as expounded below.

8. Liquidity Risk Management

i) Elements of Liquidity Risk Management

(a) Governance of Liquidity Risk Management

In addition to setting up of the ALCO etc, following are the other elements in the governance of liquidity risk management:

1. Liquidity risk Tolerance

The organisation shall have a sound process for identifying, measuring, monitoring and controlling liquidity risk. It should clearly articulate a liquidity risk tolerance that is appropriate for its business strategy and its role in the financial system. Senior management should develop the strategy to manage liquidity risk in accordance with such risk tolerance and ensure that the organisation maintains sufficient liquidity.

2. Liquidity Costs, Benefits and Risks in the Internal Pricing

The organisation should endeavour to develop a process to quantify liquidity costs and benefits so that the same may be incorporated in the internal product pricing, performance measurement and new product approval process for all material business lines, products and activities.

3. Off-balance Sheet Exposures and Contingent Liabilities

The process of identifying, measuring, monitoring and controlling liquidity risk should include a framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons. The management of liquidity risks relating to certain off-balance sheet exposures on account of special purpose vehicles, financial derivatives, and, guarantees and commitments may be given particular importance due to the difficulties that the organisation might have in assessing the related liquidity risks that could materialise in times of stress.

4. Funding Strategy - Diversified Funding

The organization shall establish a funding strategy that provides effective diversification in the sources and tenor of funding. It should maintain an ongoing presence in its chosen funding markets and strong relationships with fund providers to promote effective diversification of funding sources. The organization should regularly gauge its capacity to raise funds quickly from each source. There should not be over-reliance on a single source of funding.

5. Collateral Position Management

The organization shall actively manage its collateral positions, if any, differentiating between encumbered and unencumbered assets. It should monitor the legal entity and physical location where collateral is held and how it may be mobilised in a timely manner. Further, the organization should have sufficient collateral to meet expected and unexpected borrowing needs and potential increases in margin requirements over different timeframes.

6. Stress Testing

Stress testing shall form an integral part of the overall governance and liquidity risk management culture in the organization. The organisation should conduct stress tests on a regular basis for a variety of short-term and protracted organization specific and market-wide stress scenarios (individually and in combination). In designing liquidity stress scenarios, the nature of the organisations's business, activities and vulnerabilities should be taken into consideration so that the scenarios incorporate the major funding and market liquidity risks to which the organization is exposed.

7. Contingency Funding Plan

The organization shall formulate a contingency funding plan (CFP) for responding to severe disruptions which might affect the organisation's ability to fund some or all of its activities in a timely manner and at a reasonable cost. Contingency plans should contain details of available/ potential contingency funding sources and the amount/ estimated amount which can be drawn from these sources, clear escalation/ prioritisation procedures detailing when and how each of the actions can and should be activated, and the lead time needed to tap additional funds from each of the contingency sources.

8. Intra Group transfers

With a view to recognizing the likely increased risk arising due to Intra-Group transactions and exposures (ITEs), the Group Chief Financial officer (CFO) is expected to develop and maintain liquidity management processes and funding programmes that are consistent with the complexity, risk profile, and scope of operations of the companies in the Group[4]. The Group liquidity risk management processes and funding programmes are expected to take into account lending, investment, and other activities, and ensure that adequate liquidity is maintained at the head and each constituent entity within the group. Processes and programmes should fully incorporate real and potential constraints, including legal and regulatory restrictions, on the transfer of funds among these entities and between these entities and the principal.

The organisation shall have appropriate internal controls, systems and procedures to ensure adherence to liquidity risk management policies and procedure. Management should ensure that an independent party regularly reviews and evaluates the various components of the NBFC's liquidity risk management process.

i) Statement of Structural Liquidity

A statement of Structural Liquidity shall be prepared by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows based on assumptions. A maturing liability shall be a cash outflow while a maturing asset shall be cash inflow. The Maturity Profile should be used for measuring the future cash flows of the organisation in different time buckets. The time buckets shall be distributed as under:

i) 1 day to 7 days
ii) 8 day to 14 days
iii) 15 days to 30/31 days (One month)
iv) Over one month and upto 2 months
v) Over two months and upto 3 months
vi) Over 3 months and upto 6 months
vii) Over 6 months and upto 1 year
viii) Over 1 year and upto 3 years
ix) Over 3 years and upto 5 years
x) Over 5 years

The following are assumption according to asset – liability profile. Assumptions for Time-bucketcategory are as follows:

Head of Accounts	Time-bucket category
Outflows	
1. Capital funds	
(a) Equity capital, Non-redeemable or perpetual preference capital, Reserves, Funds and Surplus	> 5 years
b) Preference capital - redeemable/non-perpetual	As per residual maturity
2. Gifts, grants, donations and benefactions	
3. Notes, Bonds and debentures	
a) Plain vanilla bonds/debentures	As per residual maturity
b) Bonds/debentures with embedded call/put options (including zero-coupon/deep discount bonds)	As per put option or maturity date whoever is earlier
c) Fixed rate notes	As per residual maturity
4. Deposits:	
a) Term deposits from public	As per residual maturity
b) Inter Corporate Deposits	As per residual maturity
c) Certificates of Deposit	As per residual maturity
5. Borrowings	
a) Term money borrowings	As per residual maturity
b) From RBI, Govt. & others	As per residual maturity
c)Bank borrowings in the nature of WCDL, CC etc.	As per residual maturity between six months and one year
6) Current liabilities and provisions:	
a) Sundry creditors	As per due date or likely timing of cash Outflows
b) Expenses payable (other than interest)	As per likely timing of cash outflows
c) Advance income received, receipts from borrowers pending adjustment	> 5 years
d) Interest payable on bonds/deposits	Bucketed as per coupon payment / redemption /maturity whichever is Earlier
e) Provisions for NPAs	Reduced from Loans on the assets side in stipulated time bucket
f) Provision for Investments portfolio	Reduced from Investment on the assets side in stipulated time bucket
g) Other provisions	As per nature and maturity of payable
Head of Accounts	Time-bucket category
B. Inflows	
1. Cash	1 to 14 day
2. Remittance in transit	1 to 14 day
3. Balances with banks (in India only)	
a) Current account	1 to 14 day
b) Deposit accounts/short term deposits	(i) Fds pertaining to Securitization have been bucketed in >5yrs or as per last payout date

	(ii) Other FDs are bucketed as per residual maturity.
c) Cheques, drafts on hand	1 to 14 day
d) Balance in earmarked accounts	1 to 14 day
4. Investments (net of provisions)	(i) Equity shares In subsidiaries, joint venture & associates : >5 yrs Quoted : 1-14days Unquoted : based on estimation & Judgmental (ii) Preference Shares : as per residual Maturity (iii) Mutual Funds Quoted/Liquid : 1-14 days Others : based on estimation & Judgmental (iv) Debentures Quoted : 1-14 days Unquoted : as per residual maturity (v) Share in partnership firms: >5 years (vi) in properties : based on estimation & Judgmental (viii) Warrants : as per residual maturity of underline instrument upon exercise
a) Mandatory investments	
b) Non Mandatory Listed	
c) Non Mandatory unlisted securities (e.g. shares, etc.)	
d) Non-mandatory unlisted securities having a fixed term maturity	
e) Venture capital units	
5. In case Trading book is followed	
Equity shares, convertible preference shares, non-redeemable/perpetual preference shares, shares of subsidiaries/joint ventures and units in open ended mutual funds and other investments.	
6. Advances (performing)	
a) Bill of Exchange and promissory notes discounted and rediscounted	As per residual maturity.
b) Term loans (rupee loans only)	(i) Regular loans : as per residual maturity/ timing of cash flows (net of provisions) (ii) Overdue loans Overdue less than 1 month : 3-6 months Overdue for more than 1 month but less than 7 months : 6-12 months Principal instalments overdue for 7 months but less than 1 year : 1-3 years
c) Corporate loans/short term loans	

7. Non-performing loans (May be shown net of the provisions, interest suspense held)	
a) Sub-standard	
i) All overdues and instalments of principal falling due during the next three years	3-5 years
ii) Entire principal amount due beyond the next three years	> 5 years
b) Doubtful and loss	
i) All instalments of principal falling due during the next five years as also all overdues	> 5 years
ii) Entire principal amount due beyond the next five years	> 5 years
8. Assets on lease	As per timing of the cash flow
9. Fixed assets (excluding leased assets)	> 5 years
10. Other assets	
(a) Intangible assets and items not representing cash inflows.	> 5 years
(b) Other items (such as accrued income, other receivables, staff loans, etc.)	As per timing of the cash flow
C. Contingent Liabilities	
(a) Letters of credit/guarantees (outflow through devolvement)	Estimation – on judgmental basis
(b) Loan commitments pending disbursal (outflow)	As per sanction terms relating to disbursement schedules
(c) Lines of credit committed to/by other Institutions (outflow/inflow)	As per usance period of bills received / to be received

Notes

1. Any event-specific cash flow (e.g. cash flow due to settlement, capital expenses, cash flow due to assessment of government dues, etc.) shall be shown in a time bucket corresponding to timing of each such cash flows.
2. All overdue liabilities be shown in the 1-14 days time bucket.

ii) Statement of Short Term Dynamic Liquidity

A statement of Short Term Dynamic Liquidity shall be prepared by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows based on assumptions lay down in the statement of Structural Liquidity. A maturing liability shall be a cash outflow while a maturing asset shall be cash inflow. The following is format of statement of Short Term Dynamic Liquidity;

(Rs. In cr)

Head of Accounts	1-14 days	15 days – 1 month	1 – 3 months	3 - 6 months
Outflow				
1. Increase in loans & Advances				
2. Net increase in investments				
(i) Govt./approved securities				
(ii) Bonds/debentures/shares				
(iii) Others				
3. Net decrease in public deposits, ICDs				

4. Net decrease in borrowings from various sources/ net increase in market lending				
5. Outflow on account of off-balance sheet Items				
6. Other outflows				
TOTAL OUTFLOWS (A)				
Inflow				
1. Net cash position				
2. Net increase in deposits				
3. Interest inflow on investments				
4. Interest inflow on performing Advances				
5. Net increase in borrowings from various Sources				
6. Inflow on account of off balance sheet items				
7. Other inflows				
TOTAL INFLOWS (B)				
C. Mismatch (B - A)				
D. Cumulative mismatch				
E. C as percentage to Total Outflows				

In addition to this, the following tools shall be adopted by the Board of the NBFC for internal monitoring of liquidity requirements:

a) Concentration of Funding

This metric is meant to identify those significant sources of funding, withdrawal of which could trigger liquidity problems. The metric thus encourages diversification of funding sources and monitoring of each of the significant counterparty[6], significant product /instrument[7] and significant currency.

b) Available Unencumbered Assets

This metric provides significant information on available unencumbered assets, which have the potential to be used as collateral to raise additional secured funding in secondary markets. It shall capture the details of the amount, type and location of available unencumbered assets that could serve as collateral for secured borrowing in secondary markets.

c) Market-related Monitoring Tools

i This includes high frequency market data that can serve as early warning indicators in monitoring potential liquidity difficulties at the organization.

ii The Board / committee set up for the purpose shall monitor monthly basis, the movements in their book-to-equity ratio for listed NBFCs and the coupon at which long-term and short-term debts are raised by them. This also includes information on breach/penalty in respect of regulatory liquidity requirements, if any.

iii) Monitoring of gaps

The Company shall take into account the benchmarks indicated in the Appendix I of circulars cited above or issued from time to time for classification and treatment of various assets and liabilities into different time buckets. A statement of Structural Liquidity and a statement of Short Term

Dynamic Liquidity shall be reviewed by ALCO for ensuring proper classification based on assumptions as cited above, behavioral pattern, past data or studies, industry practices or any other reasonable grounds put before them.

The Company shall consider the guideline issued by the RBI from time to time and monitor the gaps for taking necessary remedial action. The prudential liquidity gap limits for negative gaps are given below;

Time bucket	Limit for negative gaps
1-7 days	10% for time bucket and cumulative both
8-14 days	10% for time bucket and cumulative both
15 days to 1 months	20% for time bucket and cumulative both
1 months – 2 months	20% for time bucket and cumulative both
2 months – 3 months	20% for time bucket and cumulative both
3 months – 6 months	20% for time bucket and cumulative both
6 months – 1 year	20% for time bucket and cumulative both
1 year – 3 years	25% for time bucket and cumulative both
3 years – 5 years	25% for time bucket and cumulative both
Above 5 years	25% for time bucket and cumulative both

Note: percentage of limit calculated on outflows.

Within each time bucket, there could be mismatches depending on cash inflows and outflows. While the mismatches up to one year would be relevant since these provide early warning signals of impending liquidity problems, the main focus shall be on the short-term mismatches, *viz.,* 1-30/31 days. The net cumulative negative mismatches in the Statement of Structural Liquidity in the maturity buckets 1-7 days, 8-14 days, and 15-30 days shall not exceed 10%, 10% and 20% of the cumulative cash outflows in the respective time buckets. The organization is however, expected to monitor its cumulative mismatches (running total) across all other time buckets upto 1 year by establishing internal prudential limits with the approval of the Board. The organization shall also adopt the above cumulative mismatch limits for their structural liquidity statement for consolidated operations.

In order to enable the organisation to monitor their short-term liquidity on a dynamic basis over a time horizon spanning from 1 day to 6 months, the organization shall estimate their short-term liquidity profiles on the basis of business projections and other commitments for planning purposes.

The organisation shall adopt a "stock" approach to liquidity risk measurement and monitor certain critical ratios in this regard by putting in place internally defined limits as approved by the Board. The ratios and the internal limits shall be based on the organisation's liquidity risk management capabilities, experience and profile. An indicative list of certain critical ratios to monitor are short-term[5] liability to total assets; short-term liability to long term assets; commercial papers to total assets; non-convertible debentures (NCDs)(original maturity of less than one year) to total assets; short-term liabilities to total liabilities; long-term assets to total assets; etc.

9. Interest Rate Sensitivity

The operational flexibility in pricing most of the assets and liabilities imply the need for the financial system to hedge the Interest Rate Risk. The company formed policy on pricing model, interest rate sensitivity, the gap or mismatch risk over different time intervals as at a given date and limit thereon. The Company shall take into account the benchmarks indicated in the Appendix II of circulars cited above or issued from time to time for classification and treatment of various assets and liabilities into

different time buckets. A statement of Interest Rate Sensitivity shall be reviewed by ALCO for ensuring proper classification based on assumptions as cited above, behavioral pattern, past data or studies, industry practices or any other reasonable grounds put before them. The assumption for time bucket will remain same as defined in 8(i) of this policy.

Head of Accounts	Rate Sensitivity of time bucket
Liabilities	
1. Capital, Reserves & Surplus	Non Sensitive
2. Gifts, grants & benefactions	Non Sensitive
3. Notes, bonds & debentures :	
a) Floating rate	Sensitive, reprice on the roll –over
b) Fixed rate (plain vanilla) including zero coupons	Sensitive, reprice on maturity
c) Instruments with embedded options	Sensitive, reprice on maturity
4. Deposits	
a) Deposits/Borrowings	
i) Fixed rate	Sensitive, reprice on maturity
ii) Floating rate	Sensitive, reprice on the contractual roll-over date.
b) ICDs	Sensitive, reprice on maturity
5. Borrowings:	
a) Term-money borrowing	Sensitive, reprice on maturity
b) Borrowings from others	
i) Fixed Rate	Sensitive, reprice on maturity
ii) Floating Rate	Sensitive, reprice on the roll-over /repricing date
6. Current liabilities & provisions	
a. Sundry creditors b. Expenses payable c. Swap adjustment a/c. d. Advance income received/receipts from borrowers pending adjustment e. Interest payable on bonds/deposits f. Provisions	Non Sensitive
7. Repos/ bills rediscounted/forex swaps (Sell/Buy)	Sensitive, reprice on maturity
Assets	
1. Cash	Non Sensitive
2. Remittance in transit	Non Sensitive
3. Balances with banks in India	
a) In current a/c.	Non Sensitive
b) In deposit accounts, Money at call and short notice and other placements	Sensitive, reprice on maturity
c) Others	Non Sensitive
4. Investments	A

a) Fixed income securities (e.g. govt. securities, zero coupon bonds, bonds, debentures, cumulative, non-cumulative, redeemable preference shares, etc.)	Sensitive, reprice on maturity However, the bonds/debentures valued by applying NPA norms due to non-servicing of interest, shall be shown, net of provisions made, in: i. Less than 5 year bucket - if sub-std. norms applied. ii. Over 5 year bucket - if doubtful norms applied.
b) Floating rate securities	Sensitive, reprice on the next repricing date
c) Equity shares, convertible preference shares, shares of subsidiaries/joint ventures, venture capital units.	Non Sensitive
5. Advances (performing)	
a) Bills of exchange, promissory notes discounted & rediscounted	Sensitive, reprice on maturity
b)Term loans/corporate loans / Short Term Loans (rupee loans only)	
i) Fixed Rate	Sensitive, reprice on cash flow or maturity whichever is earlier.
ii) Floating Rate	Sensitive
6. Non-performing loans: (net of provisions, interest suspense and claims received from ECGC)	
a. Sub-standard) b. Doubtful and loss)	Sensitive
7. Assets on lease	Sensitive
8. Fixed assets (excluding assets on lease)	Non Sensitive
9. Other assets	
a) Intangible assets and items not representing cash flows.	Non Sensitive
b) Other items (e.g. accrued income, other receivables, staff loans, etc.)	Non Sensitive
10. Reverse Repos/Swaps (Buy /Sell) and Bills rediscounted (DUPN)	Sensitive, reprice on maturity
11. Other (interest rate) products	
a) Interest rate swaps	Sensitive
b) Other derivatives	Sensitive

Monitoring of gaps

The Company shall take into account the benchmarks indicated in the Appendix II of circulars cited above or issued from time to time for classification and treatment of various assets and liabilities into different time buckets. A statement of Interest Rate Sensitivity shall be reviewed by ALCO for ensuring proper classification based on assumptions as cited above, behavioral pattern, past data or studies, industry practices or any other reasonable grounds put before them.

The Gap or Mismatch risk can be measured by calculating Gaps over different time intervals as at given date. Gap analysis measures mismatches between rate sensitive liabilities and rate sensitive assets (including off-balance sheet positions).

The ALCO set limit for negative gaps in all time buckets of 2 months and above would be restricted to 30%. As there would be always couple of months lagging period for any change of floating

interest rate on lending to the borrowers arising out of change in interest rate, no negative limit is prescribed for period up to 2 months.

10. ALM Return submission

The Company shall prepare and submit various returns and statement under ALM as prescribed by RBI from time to time. As per the latest guidelines, the following returns are require to submit;

Name of the Return	Periodicity	Reporting time
Statement of Short Term Dynamic Liquidity (ALM 1)	Quarterly	15 days
Statement of Structural Liquidity (ALM 2)	Half yearly	30 days
Statement of Interest Rate Sensitivity (ALM 3)	Half yearly	30 days

The Company shall submit such returns strictly as per the formats prescribed and within the timeframe. ALCO would review such statement and ensure the returns are submitted properly.

11. Additional disclosures in Balance Sheet

As directed by RBI vide circular RBI/2008-09/116 DNBS(PD). CC. No. 125/03.05.002/2008-2009 dated August 1, 2008 & 002/03.10.001/2014-15 dated November 10, 2014, the Company shall disclose the maturity pattern of assets and liabilities in the Financial Statements. ALCO would review such statements. The organisation shall publicly disclose information (Appendix I) on a quarterly basis on the official website of the company and in the annual financial statement as notes to account that enables market participants to make an informed judgment about the soundness of its liquidity risk management framework and liquidity position.

12. Risk Measurement and Reporting

ALCO shall once in a year (May / June) measure the performance and the risk level of the Company's asset / liability management activities for the previous year.

These would include:

i) Measurement of overall balance sheet mix.
ii) Measurement of asset, liability and capital growth or decline.
iii) Measurement of operational cash flows.
iv) Measurement of financial margin.
v) Measurement or projection of the impact of interest movements.

These measurements should be compared to financial targets in the annual business plan and the budget, so that management can determine whether the Company is meeting its goals.

The Management and ALCO can also assess whether there are material variances from the plan which need to be addressed.

Reporting

The above measurements should be reported to the Investment / Loans and Risk Management Committee, which will evaluate and submit to the Board the report including material variances from plan, their causes, as well as management's plan to correct the variance. Investment / Loan and Risk Management Committee in consultation with ALCO should also provide the Board with a summary on compliance with ALM policy and relevant regulatory requirements

Appendix I

Public disclosure on liquidity risk

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

Sr. No.	Number of Significant Counterparties	Amount (₹ crore)	% of Total deposits	% of Total Liabilities

(ii) Top 20 large deposits (amount in ₹ crore and % of total deposits)

(iii) Top 10 borrowings (amount in ₹ crore and % of total borrowings)

(iv) Funding Concentration based on significant instrument/product

Sr. No.	Name of the instrument/product	Amount (₹ crore)	% of Total Liabilities

(v) Stock Ratios:

(a) Commercial papers as a % of total public funds, total liabilities and total assets

(b) Non-convertible debentures (original maturity of less than one year) as a % of total public funds, total liabilities and total assets

(c) Other short-term liabilities, if any as a % of total public funds, total liabilities and total assets

(vi) Institutional set-up for liquidity risk management