ASSET – LIABILITY MANAGEMENT POLICY

The Asset - Liability Management (ALM) Policy of The Bihar State Cooperative Bank Ltd prepared after taking into consideration the guidelines/circulars issued by Reserve Bank of India from time to time.

The Indian financial market have witnessed wide-ranging changes at a vast pace during the last few years. The intense objectives for business involving both Assets and Liabilities together with increasing volatility in the interest rates has brought pressure on the Management to maintain a good balance among spreads, profitability and long term, viability. The comprehensive policy has to put in place for measuring, monitoring and managing the composition of assets and liabilities to safeguard the bank's interest in view of volatile market trends change in interest rate and various risks. .

Definition: Considering the structure, Balance Sheet i.e. Assets & Liabilities and skill development of the personnel's of the bank in such a way that the earnings are maximized at the optimum level while ensuring liquidity and safety in the system. The Management has to base its business decisions on a dynamic and integrated risk management system and process.

OBJECTIVES :

The key objective shall be liquidity management, which refers to liability of the bank to meet demands from time to time. Broadly objectives shall be to plan and manage the assets and liabilities in a manner so as to ensure achieving satisfactory and consistent earnings, liquidity and safety in the system. It should serve as a protection in various market/business related risks.

Asset Liability Management among other functions also provide dynamic framework for measuring, monitoring and managing liquidity, interest rate risks. The ALM process rests on three pillars.

1. ALM INFORMATION SYSTEM

This includes Management Information System & Information Availability, Accuracy, Adequacy and expediency. This framework needs to be built on sound methodology with necessary information system as backup. Thus, information is the key to the ALM process. The central element for the entire ALM exercise is the availability of timely, adequate and accurate information. Considering the customer profile and inadequate support system for collecting information required for ALM which analyses various components of assets and liabilities on the basis of residual maturity and behavioral pattern.