



बैंक ऑफ बड़ौदा **Bank of Baroda**



## **DISCLOSURES (as per BSPS – 9 A): LIQUIDITY RISK MANAGEMENT as on 31.03.2025**

### **DF – 1: Our Policy**

Bank as a financial intermediary recognizes that risks are inherent to its business and thus requires to be managed prudently. The Asset Liability Management (ALM) is the process by which the Bank aims to manage its exposure to liquidity and interest rate risks, by varying the composition and maturity pattern of its assets, liabilities and off-balance sheet instruments, with the goal of achieving its target Net interest Income (NII)/ Net Interest Margin (NIM) over the financial year that is consistent with its business plan.

### **DF – 2: Organizational Structure**

ALM is the function of Asset Liability Management Committee (ALCO), which operates under the guidance and supervision of the Chief Executive, Fiji Operation. The actual working of ALM function is ensured by the ALCO, which comprises of:

- Chief Executive (Fiji Operations) - Chairperson of ALCO
- Branch Head - Suva Branch
- Head – MIS & Planning, Credit, Retail Credit, CPC, Operations, Risk Management, IT, Compliance
- Head – Internal Audit (Observer)
- Head – Human Resource Management (Observer)

In the absence of Chief Executive – Fiji Operations, next senior ALCO Member (Other than Observer and Convener) chair the meeting. The quorum for the meeting of the Committee is five members, including the Chairperson of the meeting. Head of Risk Management – Fiji Operations is convener of the ALCO meeting.

### **DF – 3: Roles and Responsibilities**

#### **1. Asset Liability Management Committee (ALCO)**

ALCO is responsible for balance sheet management from risk returns perspective, particularly strategic management of interest rate and liquidity risk for the entire operations. It is also responsible for ensuring adherence to the risk tolerance/limits set by the Chief Executive, Fiji Operations as well as implementing the liquidity risk management strategy of the bank in line with bank's decided risk management objectives and risk tolerance. Over and above the said functions, ALCO also focus on the following business issues:

- Product pricing (interest rates) for deposits and advances/ lending benchmarks like PLR
- Deciding on desired maturity profile and mix of incremental assets and liabilities.
- Articulating interest rate view and deciding on the future business strategy.
- Monitoring the composition, characteristics and diversification of assets and funding sources and would regularly review the funding strategy in the light of any changes in the internal or external environments.
- Reviewing the current and prospective liquidity positions and monitoring the alternative funding sources.
- Reviewing impact of monetary policies and economic/ political changes on the balance sheet.
- Approving the Transfer Pricing Mechanism (TPM) or TPM rates.
- Recommending changes in the liquidity and interest rate sensitivity mismatch limits or any other provision.
- Monitoring the structure of the Balance Sheet in light of the Capital Adequacy requirements.
- Reviewing the current and prospective capital levels (risk-based as well as net worth) to determine sufficiency in relation to expected growth, interest rate risk, price risk, and asset mix/ quality.
- Taking corrective action and seek confirmation from appropriate authority in case of any breach in any limits.
- Determining the structure, responsibilities and controls for managing liquidity risk and for overseeing the liquidity positions.
- Ensuring operational independence of Liquidity Risk Management function, with adequate support of skilled and experienced officers.
- Ensuring adequacy of cash flow projections and assumptions used.







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- Any matter relating to size, composition and price of assets and liabilities is the functional area of ALCO as ALCO has the overall responsibility of spread management. Therefore, deposit rates, Prime Lending Rates (PLR), transfer pricing etc. is first placed before ALCO and on its approval, further presented to The Chief General Manager ( Head- International Banking ) if directed by ALCO or if required under regulatory guidelines.

The meeting of the ALCO held at least once in a month.

## **2. Territory Head**

The Territorial Head – Fiji Operations is responsible for managing and controlling the day-to-day liquidity. The specific responsibilities include –

- Formulating Liquidity and Funding/Interest Rate Risk Management policy in line with its local regulatory guidelines and the Group ALM Policy and get the same vetted from the Chief General Manager, Risk Management at Baroda Corporate Centre.
- Obtaining review of ALM Policy whenever due.
- Establishing the method for accurately measuring the current and projected liquidity and Earnings at Risk (EaR).
- Implementing the Liquidity and Funding/Interest Rate Risk Management policies.
- Monitoring economic, political and other operating conditions to forecast potential liquidity needs and threats to earning potential.
- Dissemination of the Liquidity and Funding/Interest Rate Risk Management policies and procedures to all the staff involved in the ALM function.
- Managing and supervising the ALM function to minimize the risks and maximize the earnings, by implementing suitable strategies.
- Intraday Liquidity management.
- Collateral position management.

## **3. Departmental / Functional Heads – Fiji Operations**

Roles and responsibilities of Departmental Heads w.r.t. ALM are as below:

- Respective Departmental Heads are responsible to ensure that timely & correct data is available to Risk Management for preparation of various liquidity and interest rate risk reports and other analysis.
- Any role / function covered elsewhere in the Policy or as directed by ALCO.

## **DF – 4: Liquidity Risk**

Liquidity Risk Management is carried out as per Asset & Liability Management (ALM) Policy of bank. The Bank is managing the liquidity risk by following tools:

- Traditional Gap Approach or Flow Approach.
- Stock Approach.

### **1. Traditional Gap Approach or Flow approach**

#### **1.1. Structural Liquidity**

The Statement of Structural Liquidity (SLS) is prepared daily by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows. The statement is prepared daily by the Bank and submitted as of month end to ALM Cell [Global Mid Office] of Risk Management Department & International Banking Division, Corporate Office, Mumbai, on monthly basis.







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#### Behaviour Analysis & Key Assumptions:

The Bank uses behavioral analysis for the following while preparation of SLS:-

- Bucketing of the line-items - Current Deposits, Savings Deposits, Term Deposits, Cash Credit / Overdraft, Term Loans, Bills Payable
- Determining quantum of likely utilization of unavailed Cash Credit / Overdraft, likely devolvement of Letter of Credit and likely invocation of bank guarantee.

#### **1.2. Contractual Maturity Mismatch Analysis (as per RBF ML - 1)**

The Bank is preparing maturity profile to compare cash inflows and outflows daily and over a series of time-bands as per guidelines of Reserve Bank of Fiji. Position of maturity profile as on 31.03.2025 is as under:

**Amt. in F\$000**

| Time Bucket            | Total Outflows | Total Inflows | Contractual Maturity Mismatch | Cumulative Contractual Maturity Mismatch |
|------------------------|----------------|---------------|-------------------------------|--|
| Next Day               | 736,153        | 290,861       | 445,292                       | 445,292                                  |
| 2 to 7 Days            | 5,111          | 5,548         | -437                          | 444,855                                  |
| 8 to 14 Days           | 2,761          | 6,488         | -3,727                        | 441,128                                  |
| 15 to 21 Days          | 4,011          | 485           | 3,526                         | 444,654                                  |
| 22 to 30 Days          | 1,592          | 1,010         | 582                           | 445,236                                  |
| >1 to 2 months         | 10,100         | 27,226        | -17,126                       | 424,003                                  |
| > 2 to 3 months        | 15,238         | 2,169         | 13,069                        | 437,071                                  |
| >3 to 4 months         | 10,598         | 2,167         | 8,431                         | 445,503                                  |
| >4 to 5 months         | 9,745          | 37,125        | -27,380                       | 418,123                                  |
| >5 to 6 months         | 7,293          | 2,136         | 5,157                         | 423,280                                  |
| >6 to 9 months         | 18,046         | 108,706       | -90,660                       | 332,620                                  |
| >9 months up to 1 year | 29,488         | 18,192        | 11,296                        | 343,916                                  |
| >1 to 2 years          | 7,528          | 112,796       | -105,268                      | 238,648                                  |
| >2 to 3 years          | 2,947          | 97,488        | -94,541                       | 144,106                                  |
| >3 to 4 years          | 490            | 18,591        | -18,101                       | 126,005                                  |
| > 4 to 5 years         | 110            | 16,714        | -16,604                       | 109,402                                  |
| Over 5 years           | 2              | 101,346       | -101,344                      | 8,057                                    |

#### **2. Stock approach**

The Statement of Structural liquidity is quantitative in nature and does not tell about the qualitative aspects of the resources and deployment. The qualitative part is monitored by stock approach ratios. These ratios depict about the concentration of funding sources and quality of assets from liquidity perspective.

#### **3. Intraday Liquidity**

Intraday Liquidity is being monitored on a daily basis through movement in Exchange Settlement A/c (ESA). Daily movement of ESA A/c appraised to the ALCO committee.

#### **4. Liquidity Coverage Ratio (LCR)**

The LCR standard aims to ensure that bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. Our LCR position as on 31.03.2025 is 181.20% for all currencies and 1.80 for Fiji Currency.

| Currencies       | Minimum during March month | Maximum during March month | Average During March month |
|------------------|----------------------------|----------------------------|----------------------------|
| All Currencies   | 175.18%                    | 184.61%                    | 180.06%                    |
| Fiji Dollar Only | 1.75                       | 1.84                       | 1.79                       |





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### DF – 5: Contingency Funding Plan


Bank is having a formal contingency plan in the form of policies and procedures, which is used as a blueprint in the event the bank is unable to fund some or all of its activities in a timely manner and at a reasonable cost. Further bank has sufficient investment to ensure liquidity during crisis

As on 31.03.2025, our investment position is as under:

| Collateral Position |   | Amount  | Availed | Un-availed |
|---------------------|---|---------|---------|------------|
| A                   | Assets currently provided as collateral                           | 17.202  | 0       | 17.202     |
| A1                  | Investments   | 17.202  | 0       | 17.202     |
| B                   | Unencumbered assets, available & which can be used as collateral. | 203.667 | 0       | 0          |
| B1                  | Investments   | 203.667 |         |            |
| B2                  | Fixed Assets (Land & Building)                                    | 0       |         |            |
| C                   | Re-hypothecation of collateral by the counterparty.               | 0       |         |            |

### DF – 6: Stress Testing

Banks conduct stress tests on a regular basis for a variety of short-term and protracted institution-specific and market-wide stress scenarios (individually and combination) to identify sources of potential liquidity strain and to ensure that current exposures remain in accordance with the bank's established liquidity risk tolerance. Banks use stress test outcomes to adjust its liquidity risk management strategies, policies and positions and to develop effective contingency plans.



**Mr. Udesk Kumar**  
Chief Executive  
Fiji Operations  
Dated: 04.06.2025

