

**Asset Liability Management Procedures- A Study on Agrani Bank Limited**

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# EXECUTIVE SUMMARY

Banking is one of the sectors in Bangladesh that is growing swiftly and is thought to be a key component of the economy. Therefore, monitoring capital adequacy, liquidity statement, and continual evaluations of the sector is vital to ensure the financial stability of the economy as the banking industry is becoming more complex than it was due to the COVID-19 Pandemic crisis. The goal of the project is to analyze the asset liability management procedures of Agrani Bank Limited. Banks' primary concern is Asset Liability Management (ALM), which aims to minimize Agrani Bank's risk and maximize revenue. This study focuses on the method used by Agrani Bank Limited and the various risk management practices used by banks to manage their assets (use of money) and liabilities (source of funds). Liquidation risk management and market risk management (including interest rate risk) are the two core processes of ALM. We have assessed some of the prior performances, and ratio analysis and graphics are used to highlight the patterns in the bank position. The ALM committee of ABL (Agrani Bank Limited) manages the bank's asset and liability strategies and offers excellent risk management. Then we received the Alm plan, certain issues, and the potential for ABL, and we offered some suggestions or directives to enhance the bank's Alm procedure. This report will contribute to the development of an understanding of the ALM process in the Bangladeshi banking industry because the ALM chief or the bank's balance sheet is the major component of the balance sheet.

**Keywords:** Agrani Bank, Asset and Liability, Assets Liability Management, ALCO, Analysis.

# 1.INTRODUCTION

The report is prepared on the topic of Asset and Liability Management of Agrani Bank Limited. The asset and liability management policy of Agrani Bank Limited is made following the guidelines and rules of the central bank of Bangladesh (Bangladesh Bank) to run the banking process readily. ALM is a thorough and progressive framework for counting, observing, and guiding a bank's market risk. It is the regulation of the structure of the balance sheet in a certain way so that the net interest income is maximized within the overall risk appetite (current and future) of the institutions. (Gardner and Mills, 1991).

In the case of a bank, asset and liability management refers to managing the risks related to the assets and liabilities of the bank and trying to minimize them. Insurance companies do the same. While doing this management, the bank faces many types of risk such as liquidity risk, interest risk, and operational risk (Haslem et al, 1999). Asset liability management refers to strategic management or control of interest rate risk and liquidity risk that banks and other financial institutions face. The main objective of ALM is to improve the qualitative and quantitative value of assets and liveliness that is associated with asset and liability risk and manage it in such a way that it can sustain short time profit, generate long-term earnings and can stay in the market for a long time (Dash, 2010).

Modern risk management is a holistic approach in which different types of corporate risks such as interest rate risk, credit risk, market risk, and liquidity risk are managed. They are managed and these are related to each other (Ranjan and Nallari, 2004). Also, ALM is a complex system to calculate, monitor and control the market risk of a bank (Vaidyanathan, 1999). India's deregulation of interest rates has exposed the banking sector to market risks. (Vaidya and Shahi, 2001). Asset and liability are the most critical department for Agrani Bank Limited than income and expense. Both play a vital role in the banking sector as they evaluate the liquidity ratio and the leverage ratio to take some important decisions like giving loans to customers, liquidity maintenance, deposit collection procedures, and different rating systems.

In this project, I have discussed the pieces of literature statement on asset and liability management procedures as well as different kinds of operations related to the assets and liabilities of Agrani Bank Limited.

# 2.OVERVIEW OF AGRANI BANK LIMITED

## 2.1 Company Profile

|  |  |
| --- | --- |
| Name of the company: | Agrani Bank Limited |
| Chairman: | Dr. Zaid Bakht |
| Managing Director & CEO: | Md. Murshedul Kabir |
| Legal Status: | Public Limited Company |
| Date of Incorporation: | 26 March 1972 |
| Authorized Capital: | Tk. 2,500.00 Crore (2021) |
| Paid-up Capital: | Tk. 2,072 Crore (2021) |
| Head Office: | 9/D Dilkusha, Dhaka 1000, Bangladesh |
| Branch: | 971 |
| Agent Banking Booth: | 400 |
| Circle office: | 11 |
| Zonal Office: | 53 |
| Islami Banking window: | 60 |
| Tax Identification No: | 0022001223 |
| Phone: | +88-02-9566153-4, +88-02-9566160-9 |
| E-mail: | agrani@agranibank.org, info@agranibank.org |
| Website: | www.agranibank.org |

(Source-Agrani Bank website: <https://www.agranibank.org/>)

Table 2.1: Company Profile of Agrani Bank Limited

## 2.2 Mission of Agrani Bank Ltd.

Agrani Bank's mission is to ethically and transparently establish an unwavering framework that defines its controllers and internal corporate concepts and teachings to inculcate the best culture in its business policies and procedures and to enhance their quality and above all to Customers get maximum benefits.

Upholding the highest ethical value and social responsibility worthy of a leading corporate citizen. Agrani Bank continuously strives to enhance its productivity progress and increase its profitability and shareholder value.

## 2.3 Vision of Agrani Bank Ltd.

Agrani Bank's vision is to be recognized as the best leading state-run commercial bank in Bangladesh and to operate with the highest quality and efficiency, provide well-managed fast service to customers and maintain solid liquidate. It fantasizes of a more prosperous Bangladesh.

Arts and literature, sports and athletics, music and entertainment, science and education, health and hygiene, a clean and population-free environment, and, most importantly, a moral and ethical society make all of our lives worthwhile. Agrani Bank's main theory is based on a universe of creation and the wonder enchantment of a charmed life that is brimming with the spirit of life and adventures that promote human development.

## 2.4 Objectives of Agrani Bank Ltd.

There are a lot of objectives of Agrani Bank Limited. The core objectives are given below:

1. Achieving at least a 7.00 per cent share of deposits and a 5.50 per cent share of loans and advances of the Bangladeshi market.
2. Contributing to the economic welfare of the country with a particular focus on remittances, SMEs, and rural credit.
3. Obtaining competitive advantages by reducing total expenditure relative to rivals.
4. Surpassing rivals by offering top-notch customer support.
5. Becoming the peer group's technological leader.
6. Providing innovative and quality customer service.
7. Enhancing the Bank's reputation for quality.
8. Strengthening research capability for innovative products.
9. Make banking products accessible and affordable
10. Meet society's needs and expectations.

## 2.5 Management Structure of Agrani Bank Ltd.

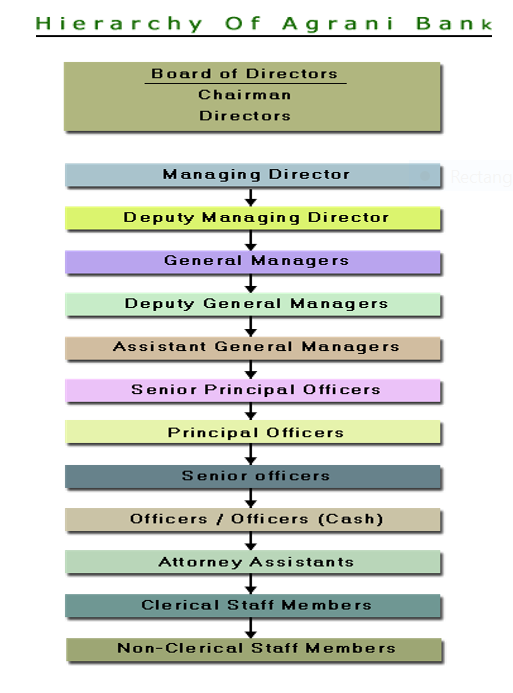
(Source-Agrani Bank website: <https://www.agranibank.org/>)

Figure 2.1: Management Hierarchy

## 2.6 Agrani Bank Ltd. Products and Services

**1. Deposit**

**a) Taka Account**

• Current Deposit (CD)

• Savings Deposit (SB)

• Fixed Deposit (FDR)

• Special Notice Time Deposit (SNTD)

• Non-Resident Special Taka Account (NRTA)

• Non-Resident Investors Taka Account (NRIT)

• Agrani Bank Pension Scheme (APS)

• Agrani Bank Bishesh Shanchay Scheme (ABS)

• Agrani Double Benefit Scheme (ADBS)

• Monthly Deposit Scheme (MDS)

• Student's Savings A/C (School Banking)

• Small Life Insurance Policy Holders A/C

• Farmers A/C

• Freedom Fighters A/C

• Other Beneficiaries A/C under Social Securities

**b) Foreign Currency Account**

• Foreign Currency (FC) A/C

• Non-Resident Foreign Currency Deposit (NFCD) A/C

• Resident Foreign Currency Deposit (RFCD) A/C

• Exporters Retention Quota (ERQ) A/C

**2. Loans & Advances**

**a)** **Continuous Loan**

• Cash Credit (Hypo)

• Cash Credit (Pledge)

• Secured Overdraft (SOD)

**b) Term Loan**

• Inland Bill Purchase (IBP)

• Industrial Credit (IC)

• Housing Loan (General & Commercial)

• Consumer Credit

• Loan for Overseas Employment

• Weavers’ Credit

**c) Rural & Agro Credit**

• Crop Loan

• Fishery Loan

• Animal Husbandry Loan

• Agri Machinery Loan

• Rural Transport Loan

• Poverty Alleviation Loan

**d) Small and Medium Enterprise Loan**

• Service Sector Loan

• Trading Sector Loan

• Manufacturing Sector Loan

**e) Import Finance**

• Loan Against Imported Merchandise (LIM)

• Loan Against Trust Receipt (LTR)

• Payment Against Document (PAD)

# 3.PRODUCT CATEGORIES

## 3.1 Present ALM Status in ABL

**Maturity Analysis**

Agrani Banks’ liquidity policy is to carry an affirmative difference in the total assets and total liabilities in the 1 to 30 days range. The liquidity stayed at maximal levels during the year. The liquid assets ratio was kept at 9.06% in December 2021. The ALCO committee of the bank observes the overall situation and sustains an optimal trade-off between liquidity and profitability.

**Table 1: Maturity Analysis**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Up to 1 Month** | **1-3 Month** | **3-12 Month** | **1-5 Years** | **More than 5 Years** | **Total** |
| Total Current Assets | 59,168,521,319 | 142,757,852,708 | 266,778,882,555 | 322,581,505,970 | 388,104,090,932 | 1,179,390,853,484 |
| Fixed Assets | - | - | - |  | 15,617,824,744 | 15,617,824,744 |
| **Total Assets** | 59,168,521,319 | 142,757,852,708 | 266,778,882,555 | 322,581,505,970 | 403,721,915,676 | 1,195,008,678,228 |
| Total Short-term liabilities | 53,305,034,418 | 36,527,964,396 | 261,746,511,844 | 313,953,292,773 | 264,406,987,353 | 1,029,939,790,784 |
| Total Long-term liabilities | - | - | - | - | 124,498,172,768 | 124,498,172,768 |
| **Total Liabilities** | 53,305,034,418 | 36,527,964,396 | 261,746,511,844 | 313,953,292,773 | 388,905,160,121 | 1,154,437,963,552 |
| **Net Liquidity Gap** | 5,863,486,901 | 6,229,888,312 | 5,032,370,711 | 8,628,213,197 | 14,816,755,555 | 40,570,714,676 |

3.1 This graph shows Maturity analysis of Agrani Bank in 2021

The maturity analysis graph shows the situation of liquidity for five years, if we look at the maturity analysis graph then we can see the bank holds more assets which will mature within 1 year compared to 1 to 5 years’ assets. The ABL has higher total assets than a total liability in each period. In total, the bank has 1,195,008,678,228 Tk. Of total assets in the contest of 1,154,437,963,552 Tk. of total liability, which shows the bank holds high liquidity for escaping any liquidity risk. The bank has 1,179,390,853,484 Tk. Total current assets that can easily meet 1,029,939,790,784 Tk. of total short-term liability without facing any liquidity crisis.

# CONCLUSION

By doing the overall analysis it can be concluded that Agrani Bank Limited is satisfactorily managing its asset-liability by applying various competitive strategies. Undoubtedly, Agrani Bank is the modern banks in Bangladesh among the other banks which is handling its assets and liabilities with great efficiency and skill. The bank is attempting to implement the most recent approaches for the ALM process and risk management strategy in order to maintain a competitive advantage over its current and potential competitors. The number of customers in this bank is increasing every year due to the stable ratio of liquidity and low-risk rate.

The effect of the global recession on the economy of Bangladesh has proven to be relatively low because of the limited and regular external factors that keep the financial sector free from bad assets and corruption. Real GDP has grown to 6.9% in FY 2021. GDP growth has been projected to gradually rise to 7.2, 7.6, and 8.0 per cent respectively in FY 2021-22, FY 2022-23 and FY 2023-24.

Monetary policy is believed to play a helpful role in improving the economy. Policy support will be directed towards enough credit flows towards all efficient but underrepresented and unrepresented sectors including the farming sector, SMEs, women entrepreneurs, housing, and effluent treatment projects. Banks will reduce interest rates and be effective in the management function then it will reduce the number of non-performing loans. This bank has won many awards within a short period of its establishment from within and outside Bangladesh, the biggest reason being effective in bank management activities. Therefore, I can say with complete confidence that;

" The Agrani Bank is progressing and developing exactly as planned"