



Daffodil
International
University

Internship Report
on
Analysis of Investment Analysis of Agrani Bank PLC.

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Date of Submission: 09 December, 2024

Letter of Transmittal

Professor Dr. Mostafa Kamal
Department of Business Administration
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Daffodil International University

Subject: Submission of Internship Report on “Analysis of Investment Analysis of Agrani Bank PLC.”

Respected Sir,

I am pleased to submit my Internship Report titled “Analysis of Investment Analysis of Agrani Bank PLC.”, which has been prepared as a requirement for completing my Bachelor of Business Administration (BBA) degree under your supervision. This report provides an in-depth analysis of the investment strategies employed by Agrani Bank PLC, focusing on portfolio management, asset allocation practices, and financial performance during the period 2019-2023. The report also highlights various challenges associated with the bank's investment performance and includes recommendations to address these issues. I have made every effort to ensure that the report is informative, analytical, and in line with the objectives set forth under your guidance.

I am grateful for your support and feedback throughout the preparation of this report. I sincerely hope that the insights and findings presented here meet your expectations.

Thank you for your valuable guidance and encouragement.

Sincerely Yours,



Ahasan Ullah Shuvo

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Program: BBA, Major in Finance

Department of Business Administration

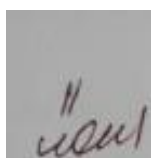
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Certificate of Approval

This is to certify that the internship report titled “**Analysis of Investment Analysis of Agrani Bank PLC.**” prepared by **Ahasan Ullah Shuvo**, student ID: **201-11-6548**, Department of Business Administration, Daffodil International University, has been completed under my supervision as part of the requirements for the Bachelor of Business Administration (BBA) program.

I hereby approve the report for submission and evaluation.



Professor Dr. Mostafa Kamal

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Declaration

I, **Ahasan Ullah Shuvo**, Student ID: **201-11-6548**, hereby declare that the internship report titled “**Analysis of Investment Analysis of Agrani Bank PLC**” is an authentic and original work prepared by me under the supervision of Dr. Mostafa Kamal, Professor, Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University.

This report is based on the research and analysis conducted during my internship at Agrani Bank PLC, and all the data, findings, and analyses presented are my own, unless otherwise stated. I further declare that this report has not been submitted elsewhere for any other purpose and that it is being submitted as part of the fulfillment of my Bachelor of Business Administration (BBA) degree requirements.



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Acknowledgement

All praises and gratitude are due to Allah, the Most Gracious and the Most Merciful, for providing me with the strength, patience, and guidance to successfully complete this report. Without His countless blessings, this accomplishment would not have been possible.

I am profoundly grateful to my beloved parents for their unconditional support, prayers, and encouragement throughout my academic and professional journey. Their belief in my potential has always been my greatest motivation.

I extend my heartfelt appreciation to my internship supervisor, Professor Dr. Mostafa Kamal, Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University, for their invaluable guidance, constructive feedback, and constant encouragement throughout this internship period. Their expertise and mentorship have been instrumental in shaping the direction and quality of this report.

I am also deeply thankful to Agrani Bank PLC for providing me with the opportunity to gain practical experience and insights into the financial sector. Special thanks go to my site supervisor, Md. Atiqul Alom, for their continuous support, knowledge-sharing, and assistance, which greatly enriched my learning experience during this internship.

Lastly, I acknowledge the contributions of my peers, colleagues, and everyone else who has supported me in any way during the completion of this report.

Executive Summary

This report, titled “**Analysis of Investment Analysis of Agrani Bank PLC,**” evaluates the investment portfolio performance and financial stability of Agrani Bank PLC from 2019 to 2023, with a focus on assessing its investment strategies and financial metrics. The primary objectives are to analyze the bank's asset allocation and portfolio diversification approaches and conduct a financial performance assessment using key financial ratios.

The analysis identifies critical trends in the bank's financial performance. Key profitability ratios, such as Net Profit Margin, fluctuated between 7.65% and 9.06%, indicating inconsistent cost management. Similarly, ROE and ROA showed declining trends, with ROE falling to 5.89% in 2023, signaling inefficiencies in capital utilization. On the other hand, Yield on Investments improved steadily, reaching 7.11% in 2023, highlighting the bank's ability to generate higher returns from its investments.

The report also identifies challenges related to financial leverage. The Debt-to-Equity Ratio remained above 1.40 throughout the period, and the Total Debt-to-Total Asset Ratio increased to 67% in 2023, reflecting over-reliance on debt and reduced financial flexibility. Additionally, stagnation in the Asset Turnover Ratio at 0.10–0.11 reveals inefficiencies in asset utilization to generate revenue.

To address the chapter wise issues, the report provides actionable recommendations, including optimizing debt management, enhancing profitability through cost-efficiency and portfolio diversification, and leveraging assets more effectively. These measures aim to ensure a sustainable investment strategy, improve financial resilience, and maximize returns for stakeholders.

This evaluation underscores the importance of strategic financial management and effective asset allocation in aligning the bank's objectives with long-term growth and stability in a competitive financial environment.

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Chapter-01: Introduction of The Report

1.1: Introduction

The purpose of this report is to analyze the investment strategies employed by Agrani Bank PLC, with a particular focus on its portfolio management and asset allocation practices. As a key player in the banking sector of Bangladesh, Agrani Bank has a significant role in shaping the investment landscape, not only through its banking services but also through its strategic investment decisions. This report explores how the bank's investment strategies have evolved over time and evaluates their effectiveness in maximizing returns while managing risks. Throughout this report, the focus is placed on analyzing Agrani Bank's investment portfolio and understanding the processes behind its asset allocation strategies. By examining the bank's performance from 2019 to 2023, this report aims to provide an in-depth understanding of the bank's investment decisions and the financial outcomes derived from those decisions. Moreover, this report investigates the financial performance of Agrani Bank's investment division, using relevant financial ratios to assess its overall success. The objective of this study is to evaluate the asset allocation and portfolio management strategies of Agrani Bank, particularly their impact on the bank's financial outcomes. Furthermore, this report identifies challenges related to the bank's investment performance and offers recommendations to improve its investment practices moving forward. The analysis presented in this report is based on data gathered from various sources, including annual reports, financial statements, and practical observations made during my internship at Agrani Bank. The findings aim to provide valuable insights for the bank's management, investors, and other stakeholders in understanding and improving investment strategies in the ever-changing financial environment.

1.2: Background of the Study

As part of my Bachelor of Business Administration (BBA) program at Daffodil International University, I was required to complete an internship to gain practical insights into the field of business and finance. For this purpose, I had the opportunity to undertake my internship at Agrani Bank PLC, one of the leading public sector commercial banks in Bangladesh. Under the guidance of my supervisor, Professor Dr. Mostafa Kamal, I was able to explore various aspects of the bank's investment strategies and portfolio management practices.

During my internship at Agrani Bank, I focused on analyzing the bank's investment strategies, particularly its asset allocation and portfolio management techniques, which are crucial for maximizing returns and minimizing risks. The main objective of the internship was to bridge the gap between academic theories and their real-world applications, especially in the context of banking and investment management.

I had the opportunity to delve into the bank's financial performance from 2019 to 2023, analyzing various investment-related financial ratios and understanding how these strategies contributed to the overall profitability and sustainability of the bank. The study involved evaluating the bank's investment decisions, assessing the impact of those decisions on the bank's financial stability, and identifying potential areas for improvement in the bank's investment approach.

This internship experience provided me with valuable insights into the practical aspects of investment strategy formulation, portfolio management, and performance evaluation in a real banking environment. It not only enhanced my theoretical understanding but also helped me develop practical skills that are essential for a career in business and finance. The exposure to Agrani Bank's investment practices, coupled with my analysis of financial data, has greatly contributed to my professional development and has equipped me with the necessary tools to evaluate investment strategies in the banking sector.

1.3: Scope of the Study

This study focuses on analyzing the investment strategies of Agrani Bank PLC, specifically evaluating its asset allocation and portfolio management practices. The scope of the study covers the bank's investment performance over a five-year period, from 2019 to 2023, using various financial ratios to assess profitability, risk, and overall effectiveness. The research is limited to publicly available financial data, annual reports, and internal observations made during the internship, concentrating on the bank's investment decisions, financial outcomes, and potential areas for improvement. This study aims to provide insights into the bank's strategic investment decisions and offer recommendations to enhance its future investment performance.

1.4: Objectives of the study

1.4.1: General Objective

The general objective of this study is to evaluate Agrani Bank PLC's investment performance and strategies through financial analysis and practical insights.

1.4.2: Specific Objectives

The specific objectives of this study are as follows:

1. To relate theoretical knowledge with practical experience at Agrani Bank PLC.
2. To evaluate the asset allocation & portfolio management strategies of Agrani Bank PLC.
3. To assess the financial analysis of Agrani Bank PLC's investment performance over the past five years using different types of ratios.
4. To identify the problems related to the investment performance and to make some recommendations to solve the problems.

1.5: Methodology of the Study

The methodology of this study incorporates a combination of primary and secondary data collection techniques to comprehensively evaluate Agrani Bank PLC's investment strategies, performance, and financial health over the past five years.

Primary Data:

- **Internship Observations:** Direct participation in investment-related activities provided real-time insights into Agrani Bank PLC's asset allocation and portfolio management strategies.
- **Interviews with Bank Officials:** One-on-one discussions with professionals from the Investment and Financial Management Departments highlighted the decision-making processes and challenges in implementing investment strategies.
- **Internal Document Analysis:** Examination of confidential internal reports and records allowed for a deeper understanding of the bank's investment performance and operational approaches.
- **Practical Application of Theories:** Opportunities to align academic knowledge with the bank's operational processes, emphasizing the application of financial theories to real-world banking scenarios.

Secondary Data:

1. **Annual Reports of Agrani Bank PLC (2019-2023):** These reports provided detailed information on the bank's financial performance, investment strategies, and portfolio management practices.
2. **Financial Statements:** Profit and loss statements, balance sheets, and cash flow statements were analyzed to assess the bank's investment performance using various financial ratios.
3. **Official Publications and Documents:** Other documents published by Agrani Bank, such as press releases and corporate governance reports, were reviewed to understand the bank's strategic direction and investment policies.
4. **Research Papers and Articles:** Relevant academic journals, industry reports, and market analysis papers were used to support the theoretical framework and provide a broader perspective on investment management in the banking sector.

1.6: Limitations of the Study

- **Data Limitations:** The study is based solely on secondary data, which may limit the depth of analysis as it excludes direct insights from bank officials or stakeholders.
- **Restricted to Publicly Available Data:** The research is confined to publicly available financial data and reports from 2019 to 2023, limiting the scope to only what was disclosed publicly.
- **Lack of Access to Internal Data:** Confidential or internal data that may have influenced investment decisions was not accessible for analysis.
- **Focus Exclusively on Agrani Bank PLC:** The study focuses exclusively on Agrani Bank PLC, and does not include comparisons with other banks or industry-wide investment practices.
- **Impact of External Economic Variables:** The rapidly changing economic conditions during the study period, including the impact of the COVID-19 pandemic, may have influenced the bank's investment strategies, making it difficult to account for all external variables.

Chapter-02: Overview of Agrani Bank PLC.

2.1: Introduction of the Company

Agrani Bank PLC is one of the leading public sector commercial banks in Bangladesh, founded in 1972 with the goal of providing comprehensive financial services to government agencies, corporations, and private citizens. The bank was established with the mission to foster economic growth and support development through a wide range of banking services, including retail banking, corporate banking, and investment management.

Headquartered in Dhaka, Agrani Bank operates with a vast network of branches across the country, providing access to financial services in both urban and rural areas. Over the years, the bank has built a reputation for its strong financial stability, customer service, and contribution to national development.

Agrani Bank's investment division plays a crucial role in the bank's operations, as it is responsible for managing the bank's investment portfolio, ensuring the optimal allocation of assets, and minimizing risks to maximize returns. The bank's investment strategies are aligned with its overall business goals and the broader economic environment, aiming to provide financial security to stakeholders while contributing to the financial system's stability.

The bank is also known for its involvement in various government securities, treasury bonds, and other financial instruments, which are part of its asset allocation strategy. Agrani Bank has managed regional and international financial difficulties over the years, modifying its investment plans in response to shifting market dynamics and legal requirements.

As one of the prominent state-owned commercial banks in Bangladesh, Agrani Bank continues to play a pivotal role in shaping the investment landscape of the country, contributing to economic development through its financial products and services.



2.2: Mission and Vision of Agrani Bank PLC.

2.2.1: Mission

The mission of Agrani Bank PLC is to provide efficient, reliable, and innovative banking services that contribute to the socio-economic development of Bangladesh. The bank aims to offer comprehensive financial solutions to individuals, businesses, and the government, fostering financial inclusion and improving access to banking services. Agrani Bank is committed to supporting the nation's economic growth by maintaining financial stability, promoting customer satisfaction, and ensuring responsible investment management, all while upholding high standards of corporate governance and social responsibility.

2.2.2: Vision

The vision of Agrani Bank PLC is to be the leading public sector commercial bank in Bangladesh, recognized for its financial strength, customer-centric services, and commitment to national development. Through a variety of easily accessible and cutting-edge banking products and services, the bank hopes to continue playing a significant role in advancing economic development, fostering company expansion, and improving people's quality of life. Agrani Bank strives to achieve excellence in banking by focusing on operational efficiency, modernizing its services, and fostering a culture of trust, integrity, and transparency.

2.3: Objectives of Agrani Bank PLC.

The objectives of Agrani Bank PLC are aligned with its mission to promote economic development, enhance financial inclusion, and provide high-quality banking services to all segments of society. Some of the key objectives of the bank include:

- ✓ **Financial Inclusion:** To promote financial inclusion by providing accessible banking services to both urban and rural populations, ensuring that all citizens have access to essential financial products such as savings accounts, loans, and investment opportunities.
- ✓ **Sustainable Economic Growth:** To contribute to the economic growth of Bangladesh by offering financial solutions that support small and medium-sized enterprises (SMEs), industries, and agriculture, which are key drivers of the country's economic development.

- ✓ **Customer Satisfaction:** To enhance customer satisfaction by providing efficient, innovative, and personalized banking services that meet the diverse needs of individuals, businesses, and government entities.
- ✓ **Profitability and Financial Stability:** By managing investments, reducing risks, and allocating assets optimally, we can guarantee long-term profitability and financial stability, which will eventually help the bank succeed in the long run and provide value to shareholders.
- ✓ **Modernization of Banking Services:** To continuously modernize banking operations through digitalization, introducing new technologies, and improving service delivery, making banking more convenient and accessible for customers.
- ✓ **Corporate Social Responsibility:** To be a responsible corporate entity by engaging in various community development programs, supporting environmental sustainability, and promoting social welfare initiatives in line with the bank's ethical values.

2.4: Hierarchy of Agrani Bank PLC.

Hierarchy Of Agrani Bank



2.5: Government Affiliation

Agrani Bank PLC is a state-owned commercial bank that operates under the ownership and control of the Government of Bangladesh. Established in 1972; by offering crucial banking services to people, companies, and governmental organizations, the bank was established to promote economic growth and national development. Agrani Bank is a public sector bank that is essential to the financial and economic policies of the government, contributing to financial inclusion, supporting government projects, and facilitating the implementation of fiscal policies.

The bank is directly supervised and regulated by the Bangladesh Bank, the central bank of the country, which ensures compliance with banking regulations and monetary policies. Agrani Bank's operations are aligned with the government's priorities, including fostering economic growth, supporting small and medium enterprises (SMEs), financing agriculture, and promoting social welfare. By offering banking services in isolated and rural locations where private sector banks may not be as prevalent, it also significantly contributes to the government's financial inclusion strategy.

Furthermore, Agrani Bank is involved in facilitating government programs, such as providing loans to priority sectors, managing government securities, and contributing to various public sector financing initiatives. Through these efforts, the bank supports the government's broader goal of economic development, poverty reduction, and infrastructure improvement across Bangladesh.

2.6: Global Partners

Agrani Bank PLC maintains strategic partnerships with several international financial institutions and global organizations to strengthen its operations and expand its service offerings. These partnerships help the bank access global financial markets, improve its technological capabilities, and enhance its customer services. Some of Agrani Bank's key global partners include:

1. **Asian Development Bank (ADB):** Agrani Bank has collaborated with ADB on various projects, especially in financing infrastructure, rural development, and energy projects across Bangladesh. The partnership supports the bank's efforts in providing credit to priority sectors and aligning with national development goals.

2. **World Bank (WB):** Agrani Bank works with the World Bank to support government programs focused on financial inclusion, poverty alleviation, and economic development. The bank plays a role in channeling World Bank funding to various sectors, including education, agriculture, and healthcare.
3. **International Finance Corporation (IFC):** IFC, a World Bank Group member, has teamed up with Agrani Bank to support the growth of the private sector. The collaboration includes funding projects aimed at enhancing the bank's capacity to provide loans to small and medium-sized enterprises (SMEs) and other critical sectors.
4. **Bangladesh Bank** (Central Bank of Bangladesh): While not a global partner in the traditional sense, Agrani Bank's relationship with Bangladesh Bank enables access to various international banking networks. This partnership facilitates the bank's involvement in **cross-border transactions and ensures compliance with global banking standards.**
5. **SWIFT (Society for Worldwide Interbank Financial Telecommunication):** Agrani Bank is a member of SWIFT, which allows it to provide secure and efficient international money transfer services. This membership connects the bank to the global financial network, enabling faster and safer cross-border payments and remittances.

2.7: Core Values for the Customers

Agrani Bank PLC is committed to upholding a set of core values that guide its interactions with customers, ensuring a high standard of service and fostering long-term relationships based on trust and respect. These values serve as the foundation of the bank's customer-centric approach:

- ✓ **Customer-Centricity:** Agrani Bank places the needs and satisfaction of its customers at the heart of its operations. The bank strives to understand the unique financial requirements of each customer and tailor its products and services accordingly, ensuring personalized and efficient solutions.
- ✓ **Integrity:** The bank operates with the highest level of honesty, transparency, and ethical conduct. Agrani Bank is committed to delivering services that customers can trust, and it upholds its responsibility to maintain transparency in all transactions and dealings.

- ✓ **Reliability:** Agrani Bank focuses on providing dependable and consistent services to customers. The bank ensures that all banking services, whether related to savings, loans, or investments, are executed efficiently and securely, fostering long-term relationships built on trust.
- ✓ **Innovation:** To meet the evolving needs of its customers, Agrani Bank continuously embraces innovation and technological advancement. By integrating the latest banking technologies, the bank ensures that its customers have access to modern, secure, and convenient banking solutions.
- ✓ **Accessibility:** Agrani Bank values financial inclusion and is dedicated to providing banking services to all segments of society, including underserved and rural areas. The bank ensures that its services are accessible through a wide network of branches, ATMs, and digital platforms, ensuring that all customers, regardless of their location, have easy access to banking services.
- ✓ **Excellence in Service:** Agrani Bank is committed to providing the highest quality of customer service. The bank prioritizes prompt, courteous, and professional interactions with customers, striving to exceed customer expectations in every aspect of its service delivery.
- ✓ **Security and Privacy:** Ensuring the security and privacy of customer information is a top priority. Agrani Bank uses the latest security technologies and follows best practices to protect customer data, making sure that all transactions and interactions are secure and confidential.

2.8: Services of Agrani Bank PLC.

Agrani Bank PLC offers a wide range of financial services to meet the diverse needs of its customers, including individuals, businesses, and government entities. The bank's services are designed to promote financial inclusion, ensure accessibility, and contribute to economic development. The key services provided by Agrani Bank PLC include:

1. **Retail Banking Services:** Agrani Bank provides a variety of retail banking services aimed at individual customers, including:
 - **Savings Accounts:** Various savings account options that help customers save money securely while earning interest.

- **Current Accounts:** Flexible accounts designed for day-to-day transactions with easy access to funds.
 - **Fixed Deposit Accounts:** Investment options with fixed tenure offering attractive interest rates.
 - **Personal Loans:** Loans for personal needs, including education, medical expenses, and home renovation.
 - **Consumer Credit Services:** Credit facilities such as personal loans, home loans, and auto loans.
 - **Debit and Credit Cards:** A range of debit and credit card services, including online banking and ATM facilities.
2. **Corporate Banking Services:** Agrani Bank offers tailored banking solutions for businesses and corporations, supporting both small and large-scale enterprises. These services include:
- **Business Loans:** Financing options for working capital, business expansion, and project financing.
 - **Trade Finance:** Services that facilitate international trade, including letters of credit, bank guarantees, and trade-related financing.
 - **Cash Management Services:** Customized solutions for efficient cash flow management, bill payments, and liquidity management.
 - **Merchant Services:** Payment solutions for businesses, including point-of-sale (POS) terminals and e-commerce payment gateways.
3. **Investment Banking Services:** Agrani Bank's investment banking services focus on managing investments and assisting customers in wealth creation and financial planning. These services include:
- **Investment Advisory:** Professional advice on investment strategies, including the stock market, bonds, and mutual funds.
 - **Treasury Management:** Services related to managing the bank's investment portfolio, including government bonds, treasury bills, and foreign exchange.

- **Asset Management:** Helping customers with asset allocation and management to optimize returns and minimize risks.
4. **Islamic Banking Services:** Agrani Bank offers Shariah-compliant financial products for customers seeking ethical banking solutions. These include:
- **Murabaha:** A cost-plus-profit sale agreement used for financing goods and assets.
 - **Mudarabah:** Investment partnership agreements where one party provides capital and the other manages the investment.
 - **Ijara:** Leasing services for the financing of assets like vehicles, machinery, and real estate.
5. **Digital Banking Services:** Agrani Bank has embraced technology to offer convenient and secure online banking services:
- **Internet Banking:** Allows customers to access their accounts, perform transactions, and manage finances from anywhere.
 - **Mobile Banking:** Mobile apps for both Android and iOS devices enable customers to perform banking activities on the go.
 - **ATM and POS Services:** Wide network of ATMs and POS terminals for seamless transactions.
6. **Remittance Services:** Agrani Bank facilitates both domestic and international remittances, allowing customers to send and receive money quickly and securely through:
- **Western Union:** A global remittance service provider offering fast international money transfers.
 - **International Bank Transfers:** Services that allow customers to send money abroad or receive funds from international sources.
 - **Domestic Remittance:** Fast and secure money transfer services within Bangladesh.

7. **Foreign Exchange Services:** Agrani Bank offers foreign exchange services for individuals and businesses involved in international trade:
- **Foreign Currency Accounts:** Accounts that allow customers to hold and transact in foreign currencies.
 - **Forex Services:** Currency exchange services for individuals and businesses to facilitate travel, trade, and investment.
8. **Government Services:** Agrani Bank also provides specialized services to government entities, including:
- **Government Loan Programs:** Providing credit facilities for public sector projects.
 - **Salary Disbursement Services:** Handling government salary payments and pension disbursements.

2.9: Competitive Advantages of Agrani Bank PLC.

- ✓ **Government Ownership:** Backed by the Government of Bangladesh, providing financial stability and credibility.
- ✓ **Extensive Network:** A wide network of branches and ATMs across urban and rural areas, ensuring accessibility for all customers.
- ✓ **Comprehensive Services:** A broad range of services including retail, corporate, investment, and Islamic banking, catering to diverse customer needs.
- ✓ **Financial Inclusion Focus:** Strong commitment to promoting financial inclusion, offering services to underserved populations, particularly in rural regions.
- ✓ **Technology Integration:** Adoption of digital banking platforms such as internet and mobile banking, making banking convenient and secure.

2.10: Chronological Achievements of Agrani Bank PLC.

Agrani Bank PLC has achieved several significant milestones since its establishment. These achievements have contributed to its growth, reputation, and role in the national economy. Some of the major chronological achievements include:

- **1972 – Establishment of Agrani Bank:** Agrani Bank PLC was founded in 1972 by the Government of Bangladesh with the objective of supporting the nation's economic development and providing accessible banking services to the public.
- **1983 – Introduction of Computerized Banking:** The bank implemented computerized banking systems in its branches, significantly improving the efficiency and accuracy of its operations.
- **1990 – Expansion of Branch Network:** During the 1990s, Agrani Bank expanded its branch network, increasing its presence in both urban and rural areas to promote financial inclusion across the country.
- **2000 – Introduction of ATM Services:** Agrani Bank introduced Automated Teller Machines (ATMs), providing customers with easy access to cash and 24/7 banking services.
- **2006 – Launch of Islamic Banking Division:** In response to the growing demand for Shariah-compliant banking, Agrani Bank established its Islamic Banking Division, offering a range of Islamic financial products such as Murabaha and Mudarabah.
- **2010 – International Remittance Services Expansion:** Agrani Bank expanded its remittance services, partnering with global financial institutions like Western Union to facilitate easy and secure international money transfers.
- **2014 – Launch of Digital Banking:** Agrani Bank introduced its internet banking and mobile banking platforms, making it more convenient for customers to access their accounts and perform banking transactions online.
- **2015 – Agrani Bank's Participation in Government Initiatives:** Agrani Bank played a key role in supporting various government financial programs, including agriculture financing, SME loans, and government salary disbursements.
- **2018 – Achieving Profitability Milestones:** Agrani Bank reported consistent growth in profitability, reflecting effective cost management and strong financial performance.

- **2020 – Enhanced Digital Banking Services During COVID-19:** In order to provide customers with safe service during the COVID-19 epidemic, Agrani Bank advanced its digital transformation by focusing more on digital banking services and introducing contactless payments.
- **2023 – Expansion of International Partnerships:** Agrani Bank continued to strengthen its position in international markets through expanded partnerships with global organizations, such as the Asian Development Bank (ADB) and World Bank, to enhance its service offerings and support national development projects.

Chapter-03: Theoretical Analysis

3.1: Overview of Asset Allocation and Portfolio Management

3.1.1: Definition of Asset Allocation

Asset allocation is the process of dividing investments among different asset categories, such as equities, fixed income, real estate, and cash, to achieve a specific financial goal. By increasing the percentage of each asset in the portfolio according to the investor's time horizon, financial goals, and risk tolerance, asset allocation aims to strike a balance between risk and reward. Increasing a portfolio across several asset classes is the main goal of asset allocation in order to lower overall risk. Spreading investments across a variety of asset classes can help reduce the impact of any one investment's bad performance on the portfolio as a whole because different asset classes react differently to market conditions.

3.1.2: Importance of Asset Allocation

An investment portfolio's risk and return profile is largely determined by its asset allocation. A sound asset allocation plan reduces risk and helps reach long-term financial objectives. Some key reasons why asset allocation is important include:

- **Risk Reduction:** An investor can reduce the risks connected to any one asset by spreading their investments across several asset types. Diversification across assets reduces the likelihood that a significant portion of the portfolio will suffer a loss at the same time.
- **Optimizing Returns:** By utilizing the potential growth of various asset classes, proper allocation aids in maximizing profits. For example, bonds are generally lower risk yet offer stable returns, whereas equities may offer large profits but also carry a high risk.
- **Aligning with Investment Goals:** Investors can match their assets to their financial objectives through asset allocation, whether those objectives are capital preservation, income production, or capital appreciation.

3.1.3: Portfolio Management Overview

Portfolio management involves selecting and overseeing a group of investments that will achieve the investor's long-term financial objectives. It includes the creation, monitoring, and adjustment of an investment portfolio, balancing between risk and return according to the investor's goals, risk tolerance, and time horizon.

Portfolio management can be categorized into two main approaches:

1. **Active Portfolio Management:** Active managers make investment decisions based on market research and analysis, aiming to outperform the market or a benchmark index. They frequently buy and sell assets based on their expectations of future market movements.
2. **Passive Portfolio Management:** Passive management aims to mirror the performance of a market index, such as the S&P 500, with minimal buying and selling. The goal is to match the market returns rather than attempt to beat them.

3.1.4: The Role of Asset Allocation in Banking

Asset allocation is essential for financial organizations such as Agrani Bank PLC to keep a balanced portfolio that promotes financial stability and profitability. Banks have to manage large-scale portfolios that consist of various asset types, including loans, bonds, equities, and cash equivalents. By strategically allocating assets, a bank can manage credit risk, market risk, and liquidity risk, ensuring its financial health and the satisfaction of its clients.

- **Liquidity Management:** Banks need to maintain sufficient liquidity to meet their daily operational needs and satisfy customer withdrawals. As a result, some of the assets will always be in highly liquid assets like short-term government bonds or cash.
- **Capital Adequacy:** Asset allocation is also tied to maintaining capital adequacy ratios, as required by regulatory authorities. In the event of unfavorable market conditions, the bank must make sure it has adequate capital set aside to cover losses and fulfill its responsibilities.
- **Investment Income Generation:** Portfolio management in banks focuses on generating a stable income from investments while minimizing risk. To strike a balance between return and risk, banks typically invest in riskier assets like stocks in addition to safer, fixed-income products like government bonds.

3.2: Agrani Bank's Approach to Asset Allocation

Agrani Bank employs a strategic asset allocation approach to maintain a diversified and balanced portfolio, aimed at optimizing returns while minimizing risk. The bank distributes its resources among a number of asset classes, such as loan portfolios, cash equivalents, stocks, real estate, and fixed-income securities. By making this allocation, the bank is better able to satisfy its goals for profitability, capital adequacy, and liquidity.

3.2.1: Key Elements of Agrani Bank's Asset Allocation Strategy

- **Fixed-Income Securities:** A significant portion of the bank's portfolio is invested in government bonds and treasury bills. These assets provide stable returns, help manage liquidity, and are considered low-risk investments.
- **Equities:** Agrani Bank invests in stocks, primarily from well-established companies, to achieve higher long-term returns. While equities are more volatile, they offer capital appreciation potential and dividends.
- **Real Estate Investments:** The bank diversifies into real estate, which offers both capital growth and rental income over time. These investments are more stable but less liquid.
- **Loan Portfolio:** Agrani Bank also allocates funds to loans and advances, providing essential revenue through interest income. The bank ensures that the loan portfolio is diversified across sectors to manage credit risk.
- **Cash Equivalents:** The bank retains some of its assets in highly liquid forms, such as cash or short-term investments, to preserve operational flexibility and satisfy regulatory liquidity requirements.

3.2.2: Factors Influencing Asset Allocation Decisions

A number of factors impact the bank's asset allocation decisions, including:

- **Economic and Market Conditions:** Interest rates, inflation, and economic stability all have a significant impact on how money is distributed. For example, in times of low interest rates, the bank might increase its investment in equities.
- **Regulatory Requirements:** Agrani Bank must comply with the guidelines set by the Bangladesh Bank and other regulatory bodies, which dictate capital adequacy ratios and liquidity requirements. These regulations influence the bank's asset allocation strategy.
- **Risk Management:** Agrani Bank's approach to asset allocation ensures diversification, balancing between riskier assets (such as equities) and safer investments (like bonds) to mitigate risk.

3.3: Types of Assets in Agrani Bank's Portfolio

The investment portfolio of Agrani Bank is made up of several asset classes, each of which has a specific function in the bank's overarching plan to balance risk and return. In order to maximize income, the bank seeks to diversify its holdings while maintaining adequate liquidity and regulatory compliance. Key Asset Classes in Agrani Bank's Portfolio:

1. **Government Bonds and Treasury Bills:** Government securities form the core of Agrani Bank's low-risk investment strategy. These include Treasury Bills and Government Bonds, which offer a steady income stream and are backed by the government, ensuring high safety and liquidity. These instruments are primarily used to manage the bank's liquidity and meet regulatory capital requirements.
2. **Corporate Bonds:** Agrani Bank also invests in corporate bonds issued by reputable companies. These bonds provide higher yields compared to government securities, adding growth potential to the bank's portfolio. The bank carefully evaluates the creditworthiness of the issuing corporations to minimize credit risk.
3. **Equities and Stocks:** A portion of Agrani Bank's portfolio is invested in stocks and equities, mainly in blue-chip companies. Both dividend income and capital growth are offered by these stock investments. While equities are more volatile, they offer the potential for higher long-term returns, making them an important growth component of the bank's portfolio.
4. **Loan Portfolio:** As a commercial bank, Agrani Bank allocates a significant portion of its assets to loans and advances to customers. This includes loans to individuals, businesses, and corporate entities. The loan portfolio is an essential income-generating asset for the bank, providing interest income while supporting the economy through credit provision.
5. **Real Estate Investments:** Agrani Bank invests in real estate as part of its long-term strategy. These investments typically include properties owned by the bank for either capital appreciation or rental income. Despite having less liquidity, real estate offers the advantages of diversification and serves as an inflation hedge.

6. **Cash and Cash Equivalents:** To maintain liquidity, Agrani Bank keeps a portion of its portfolio in cash equivalents such as short-term deposits, money market instruments, and other highly liquid assets. These assets are crucial for meeting day-to-day operational needs and managing any unexpected financial requirements.
7. **Balanced Portfolio for Risk Management:** By spreading investments across these different kinds of assets, Agrani Bank ensures that its portfolio is balanced between low-risk investments like government securities and higher-return assets such as equities and corporate bonds. This mix allows the bank to achieve steady returns while managing risks associated with market fluctuations and economic uncertainties.

3.4: Portfolio Diversification Strategies

One important tactic Agrani Bank uses to lower risk and improve the stability of its investment portfolio is portfolio diversification. The bank seeks to minimize the impact of unfavorable market moves by distributing investments over a number of asset classes, so avoiding concentrated exposure to any one market or industry. By assisting in striking a balance between risk and reward, diversification makes sure the portfolio is robust in both steady and erratic economic conditions.

3.4.1: Key Diversification Strategies Employed by Agrani Bank

1. **Asset Class Diversification:** Agrani Bank diversifies its portfolio across multiple asset classes, including fixed-income securities, equities, real estate, and loan portfolios. Under different economic circumstances, each of these asset classes shows distinct behaviors. For example, government bonds are typically more stable during economic downturns, even though stocks may do well during times of expansion. This strategy minimizes the overall risk by balancing assets with varying degrees of risk and return.
2. **Geographical Diversification:** Agrani Bank also employs geographical diversification by investing in assets outside of Bangladesh. This enables the bank to protect itself from risks unique to the nation, like local economic downturns, currency fluctuations, and political instability. Geographic diversity lessens the bank's dependency on the home economy while enabling it to seize growth prospects in foreign markets.

3. **Sectoral Diversification:** The bank diversifies its investments across different sectors of the economy. By owning stocks, bonds, and loans in a variety of industries, including consumer products, manufacturing, real estate, and finance, Agrani Bank reduces its exposure to risks specific to any one sector. If one sector faces a downturn, the performance of other sectors may cushion the overall impact on the portfolio.
4. **Liquidity Diversification:** Agrani Bank ensures liquidity diversification by investing in both liquid and illiquid assets. While cash equivalents and government securities are highly liquid, assets such as real estate and long-term bonds are less liquid but provide higher returns. This combination enables the bank to take advantage of the long-term growth potential of illiquid assets while simultaneously meeting short-term liquidity demands.
5. **Risk-Based Diversification:** The bank's portfolio is diversified by risk profiles to align with its overall risk tolerance. A component of the portfolio is allocated to higher-risk assets (like stocks and corporate bonds) in order to optimize returns, even when the majority of the portfolio is invested in low-risk assets (like government bonds). This diversification strategy helps the bank optimize risk-adjusted returns by balancing the potential for growth with the need for capital preservation.
6. **Diversification in Loan Portfolios:** Agrani Bank applies diversification within its loan portfolio by lending to various industries and customer segments, including individuals, small businesses, and large corporations. This minimizes the risk of default by spreading the bank's exposure across different borrowers and industries, ensuring a more stable income stream from interest payments.

3.4.2: Benefits of Diversification for Agrani Bank

The main advantage of these diversification techniques is the decrease in unsystematic risk, or risk unique to certain asset classes or investments. Diversification helps smooth out returns over time, providing more consistent performance in the face of market volatility. It also ensures that the bank's portfolio is aligned with its long-term growth objectives while minimizing potential losses.

3.5: Risk Management in Portfolio Management

An essential part of Agrani Bank's portfolio management approach is efficient risk management. Bank employs a range of strategies to identify, assess, and mitigate risks associated with its investment portfolio. Given the complex and dynamic nature of financial markets, managing risk is essential to protecting the bank's assets and ensuring long-term profitability and stability. Key Aspects of Agrani Bank's Risk Management Strategy:

- ✓ **Risk Identification and Assessment:** Agrani Bank begins its risk management process by identifying potential risks that could affect its investment portfolio. These include market risk (fluctuations in asset prices), credit risk (default risk from borrowers), liquidity risk (inability to meet short-term obligations), and operational risk (internal system failures). The bank regularly conducts risk assessments to measure the exposure to each of these risks and ensures that appropriate mitigation strategies are in place.
- ✓ **Diversification to Mitigate Risk:** Diversification is a key component of Agrani Bank's risk management strategy. The bank lessens its dependence on any one investment or market by distributing its investments over a number of asset classes, industries, and geographical areas. This lowers the portfolio's overall risk exposure by lessening the impact of poor performance from any one asset class.
- ✓ **Credit Risk Management:** Agrani Bank places significant emphasis on credit risk management, especially within its loan portfolio. The bank uses rigorous credit assessment processes to evaluate the creditworthiness of borrowers before extending loans. It also regularly monitors the performance of loans to detect early signs of potential defaults, ensuring that the portfolio remains healthy. Credit risk is further mitigated by ensuring adequate loan diversification across industries and customer segments.
- ✓ **Liquidity Management:** Agrani Bank keeps a percentage of its portfolio in highly liquid assets such government bonds, cash equivalents, and short-term investments in order to control liquidity risk. These assets allow the bank to meet its daily operational needs, customer withdrawals, and unforeseen financial requirements without compromising its investment returns. The bank also closely monitors cash flow and market liquidity to ensure it can meet all its obligations.
- ✓ **Market Risk Management:** Agrani Bank uses several techniques to manage market risk, which includes interest rate risk and price volatility. The bank modifies asset

allocation to lessen exposure to extremely volatile assets and performs stress testing to evaluate the effect of market shocks on its portfolio. To protect against unfavorable changes in interest rates and other market factors, derivative instruments such as interest rate swaps may also be used.

- ✓ **Compliance and Regulatory Risk Management:** Agrani Bank adheres to the regulatory guidelines set by Bangladesh Bank and other relevant authorities. These regulations impose certain risk management requirements, such as maintaining adequate capital reserves and ensuring that risk exposures are within prescribed limits. Following these rules guarantees that the bank's portfolio stays in line with the law and helps it reduce regulatory risk.
- ✓ **Risk Monitoring & Reporting:** Risk management at Agrani Bank is a continuous process. The bank regularly monitors its portfolio performance and risk exposures through internal systems and external market data. The risk management team monitors important risk indicators and evaluates the efficacy of the implemented risk management plans on a regular basis. Based on the results, any necessary modifications are made to guarantee the stability of the portfolio.

3.6: Portfolio Rebalancing Strategies

In order to maintain an ideal asset allocation and match the portfolio with the bank's investment goals and risk tolerance, portfolio rebalancing is an essential part of investment management. Agrani Bank regularly assesses and rebalances its investment portfolio to ensure that the mix of assets is consistent with its long-term financial goals.

3.6.1: Rebalancing Objectives

- **Maintaining Target Asset Allocation:** Rebalancing guarantees that the asset allocation of the portfolio stays consistent with the bank's investment plan. Certain asset classes may eventually become overrepresented or underrepresented in the portfolio as a result of market fluctuations. Rebalancing aids in returning the portfolio to its initial goal for asset allocation.
- **Risk Management:** As the values of various assets fluctuate, the risk profile of the portfolio may change. Rebalancing helps to manage the risk by adjusting the portfolio to maintain an appropriate risk level. For example, if equity investments perform better

than fixed-income investments, the risk level might increase, prompting the bank to sell some equities and invest in safer assets.

- **Maximizing Returns:** Agrani Bank can capitalize on market conditions by rebalancing on a regular basis. Rebalancing, for instance, offers the chance to invest in undervalued assets at a reduced cost, thereby optimizing long-term profits.

3.6.2: Rebalancing Process

- ✓ **Frequency of Rebalancing:** Agrani Bank typically reviews its portfolio quarterly or semi-annually to assess its performance and rebalance the portfolio. Depending on the state of the market and how the underlying assets perform, the frequency may change.
- ✓ **Cost-Effective Rebalancing:** Agrani Bank also ensures that the rebalancing process is cost-efficient by considering transaction fees and taxes. The goal is to rebalance the portfolio without incurring excessive costs that could eat into the overall returns.

3.7: Ratio Analysis

Ratio Analysis is a quantitative tool used to evaluate a company's financial performance by analyzing relationships between various financial statement accounts. This method is widely used to assess profitability, liquidity, efficiency, solvency, and market valuation of a business. Stakeholders can learn more about an organization's operational efficacy and financial health by comparing ratios over time or against industry standards.

3.7.1: Key Categories of Ratio Analysis

i. Debt to Equity Ratio

The Debt to Equity (D/E) Ratio measures the proportion of a company's total debt to its shareholder equity. It reflects the company's financial leverage and indicates the degree to which the company is financing its operations through debt versus wholly owned funds. The formula is:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Assumptions:

1. **Accurate Valuation of Equity and Liabilities:** The calculation assumes that the financial statements accurately represent the total liabilities and equity.
2. **Exclusion of Non-Typical Debts:** It assumes that only recurring and operational debts are included, avoiding non-operational or one-off liabilities.
3. **Industry Relevance:** It assumes that comparisons are made with industry standards as acceptable leverage varies across sectors.

Significance:

1. **Assessment of Leverage:** Significant reliance on borrowed funds is indicated by a high D/E ratio, which may raise financial risk, particularly in times of rising interest rates or diminishing revenues.
2. **Investment Decisions:** This ratio is used by investors to assess the risk profile and financial health of a company. Lower ratios generally indicate a stable and less risky investment.
3. **Creditworthiness:** Creditors examine the D/E ratio to evaluate the firm's ability to repay debt obligations. A lower ratio suggests better solvency.
4. **Insight into Growth Strategy:** A higher D/E ratio might suggest aggressive growth strategies financed by borrowing, whereas a lower ratio may indicate conservative management with reliance on internal financing.

ii. Total Debt to Total Asset Ratio

The Total Debt to Total Asset Ratio measures the proportion of a company's assets that are financed through debt. It indicates the percentage of the company's assets that are funded by liabilities instead of equity. The formula is:

$$\text{Total Debt to Total Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Assumptions:

1. **Complete Asset and Liability Recognition:** Assumes that all assets and liabilities are accurately reported on the balance sheet.
2. **Consistency in Classification:** The calculation presumes a clear distinction between short-term and long-term liabilities, ensuring proper categorization.
3. **Stable Asset Valuation:** It makes the assumption that the assets' book value accurately reflects their worth, free from notable overstatement or understatement.

Significance:

1. **Leverage Insight:** Greater reliance on debt for asset financing is indicated by a higher ratio, which could raise financial risk during recessions or when interest rates rise.
2. **Indicator of Financial Risk:** This ratio is used by investors and creditors to evaluate the financial risk of the business. Since a larger percentage suggests a worse ability to repay, lenders may be discouraged.
3. **Benchmark for Performance:** Comparing this ratio across similar industries helps understand a company's risk-taking behavior and financial health.
4. **Operational Sustainability:** A smaller percentage indicates that a business depends more on equity funding, which is indicative of more stable, long-term operations with less debt.

iii. Net Profit Margin

The Net Profit Margin is a financial metric that measures the percentage of revenue remaining as profit after all operating expenses, taxes, and interest have been deducted. It reflects a company's ability to convert revenue into actual profit. The formula is:

$$\text{Net Profit Margin} = \left(\frac{\text{Net Income}}{\text{Revenue}} \right) \times 100$$

Assumptions:

1. **Accurate Revenue and Expense Reporting:** Assumes that all revenue and expenses are correctly recorded without omissions or errors.
2. **Consistent Accounting Practices:** Assumes that the company uses the same accounting methods over time for comparability.

3. **No Extraordinary Items:** The ratio assumes no unusual or one-time items significantly skew the results.

Significance:

1. **Indicator of Profitability:** A higher net profit margin reflects greater efficiency in controlling costs and converting revenue into profit.
2. **Benchmark for Performance:** Used to evaluate a business's profitability over time or in relation to rivals within the same sector.
3. **Investor Confidence:** A consistently high net profit margin attracts investors, indicating stable and efficient operations.
4. **Cost Management Insight:** Helps in identifying whether rising costs are eating into profits or if operational efficiencies are being achieved.
5. **Strategic Decision-Making:** Management uses this metric to decide on pricing strategies, cost-cutting measures, and investment opportunities.

iv. Return on Equity (ROE)

Return on Equity (ROE) measures a company's ability to generate profit from its shareholders' equity. It is expressed as a percentage and evaluates how effectively management uses equity capital to generate earnings. The formula is:

$$\text{Return on Equity} = \left(\frac{\text{Net Income}}{\text{Shareholder's Equity}} \right) \times 100$$

Assumptions:

1. **Accurate Financial Reporting:** Assumes that the reported net income and shareholders' equity are accurate and free of errors or omissions.
2. **Consistent Time Frame:** Assumes that the values of net income and equity are for the same period.
3. **Stable Capital Structure:** Assumes no significant fluctuations in equity during the analysis period that could skew results.

Significance:

1. **Profitability Metric:** Indicates how efficiently the bank or business is generating profit from the equity invested by shareholders.
2. **Investor Confidence:** A higher ROE generally attracts investors, showing that their capital is being utilized effectively.
3. **Benchmark for Performance:** Allows comparison of the bank's performance over time or against industry averages and competitors.
4. **Management Efficiency:** Reflects the effectiveness of the management team in using equity to generate returns.
5. **Strategic Insight:** A low or declining ROE may signal inefficiencies, higher costs, or over-leveraging, guiding strategic improvements.
6. **Equity Usage Evaluation:** Helps assess whether additional equity investments would be profitable or if retained earnings should be prioritized.

v. Return on Assets (ROA)

Return on Assets (ROA) measures the efficiency of a company in utilizing its assets to generate net income. It is expressed as a percentage and indicates how effectively the total assets are being used to generate profits. The formula is:

$$\text{Return on Assets} = \left(\frac{\text{Net Income}}{\text{Total Assets}} \right) \times 100$$

Assumptions:

1. **Stable Asset Valuation:** Assumes that the total asset value reported is accurate and reflects the true worth of the company's resources.
2. **Net Income Reflects True Performance:** Assumes net income accurately represents the company's profitability for the period.
3. **Time Frame Consistency:** Assumes that net income and total assets are measured over the same time period.

Significance:

1. **Efficiency Indicator:** Demonstrates how well the bank utilizes its assets to generate profits.
2. **Comparative Benchmark:** Useful for comparing performance across similar institutions or within the same industry.
3. **Investment Decisions:** Helps investors assess whether the bank is effectively managing its resources.
4. **Operational Performance Insight:** Low ROA could indicate underutilized assets or inefficiencies in operations.
5. **Management Effectiveness:** Reflects the effectiveness of asset allocation and management in achieving profitability.
6. **Risk Assessment:** A declining ROA might signal poor investment strategies or an over-reliance on non-productive assets, necessitating strategic adjustments.

vi. Return on Investment (ROI)

Return on Investment (ROI) measures the profitability or efficiency of an investment relative to its cost. It indicates how much return is generated for every unit of investment. The formula is:

$$\text{Return on Investment (ROI)} = \frac{\text{Net Profit from Investments}}{\text{Cost of Investments}} \times 100$$

Assumptions:

1. **Accurate Cost Data:** Assumes that the cost of investment is well-documented and inclusive of all associated expenses.
2. **Defined Time Frame:** Assumes the calculation is based on a specific period to ensure consistency in comparison.
3. **Net Profit Validity:** Assumes net profit accurately represents gains directly attributable to the investment.
4. **No External Variables:** Assumes the ROI is not significantly affected by external factors unrelated to the investment itself.

Significance:

1. **Profitability Assessment:** Provides a clear indication of the financial gains achieved from investments.
2. **Investment Comparison:** Helpful for evaluating the effectiveness of various projects or investments.
3. **Strategic Planning:** Aids in determining which investment strategies to pursue or modify.
4. **Risk-Return Analysis:** Assesses whether the returns justify the risks associated with the investment.
5. **Resource Allocation:** Helps in optimizing the allocation of capital to maximize profitability.
6. **Performance Monitoring:** Tracks the effectiveness of past investment decisions, ensuring alignment with organizational goals.

vii. Yield on Investments

Yield on Investments measures the income generated from investments as a percentage of their total value. It evaluates the effectiveness of the bank or entity in earning returns from its investment portfolio. The formula is:

$$\text{Yield on Investments} = \frac{\text{Income from Investments}}{\text{Total Investment Value}} \times 100$$

Assumptions:

1. **Consistent Income Measurement:** Assumes the income reported is accurately attributed to the specific investments being evaluated.
2. **Stable Investment Values:** Assumes that the total investment value does not include significant fluctuations during the period of analysis.
3. **Income Exclusivity:** Assumes the yield calculation focuses solely on the returns generated from investments, excluding other revenue sources.

4. **Comparable Time Periods:** Assumes the evaluation is based on similar time frames to ensure meaningful comparisons.

Significance:

1. **Performance Indicator:** Demonstrates how well investments are performing in terms of generating returns.
2. **Investment Strategy Analysis:** Helps assess the effectiveness of current asset allocation and portfolio management strategies.
3. **Risk Assessment:** Helps in assessing the return in relation to the investment's risk profile.
4. **Resource Utilization:** Highlights the efficiency of utilizing funds in investments to maximize returns.
5. **Decision-Making Tool:** Supports strategic decisions regarding the retention, expansion, or restructuring of the investment portfolio.
6. **Trend Analysis:** Monitors changes in investment performance over time, identifying areas for improvement.

viii. Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio (CAR) is a critical financial metric used to evaluate a bank's capital strength and ability to withstand potential losses. It measures the ratio of a bank's capital to its risk-weighted assets (RWA), ensuring that the institution can absorb financial shocks and protect depositors' funds. The formula is:

$$CAR = \left(\frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk-Weighted Assets}} \right) \times 100$$

Assumptions:

1. **Accurate Risk Weighting:** Assumes risk-weighted assets are calculated based on standardized or regulatory-approved risk criteria.
2. **Capital Availability:** Assumes the capital included in Tier 1 and Tier 2 is readily available to absorb potential losses.

3. **Compliance with Regulations:** Assumes adherence to Basel guidelines or equivalent local regulations.
4. **Steady Operational Environment:** Assumes no extraordinary circumstances drastically impacting asset risk within the evaluated period.

Significance:

1. **Regulatory Compliance:** Ensures that the bank meets the regulatory minimum CAR requirements set by the central bank or Basel III guidelines, typically around 8%-12%.
2. **Risk Management:** Reflects the bank's ability to manage financial risks, ensuring sufficient capital buffers against unexpected losses.
3. **Financial Stability:** Indicates the institution's robustness, promoting confidence among depositors and investors.
4. **Performance Benchmarking:** Enables stakeholders in evaluating the financial standing of banks operating in the same sector.
5. **Investment Strategy Impact:** Evaluates how effectively the bank balances its capital allocation for growth-oriented investments while maintaining regulatory capital adequacy.
6. **Early Warning Signal:** Highlights potential vulnerabilities in the bank's capital structure, allowing preemptive corrective actions.

ix. Asset Turnover Ratio

The Asset Turnover Ratio measures how efficiently a company or bank uses its assets to generate revenue. It indicates the revenue generated for each unit of assets employed and helps assess the effectiveness of asset utilization. The formula for the asset turnover ratio is:

$$\text{Asset Turnover Ratio} = \frac{\text{Net Revenue}}{\text{Average Total Assets}}$$

Assumptions:

1. **Consistent Revenue Generation:** Assumes that the revenue figures used are stable over time, reflecting consistent sales without extreme fluctuations.

2. **Accurate Asset Valuation:** Assumes that the total assets used in the calculation are correctly valued and reflect the actual resources available for generating sales.
3. **Operational Efficiency:** Assumes that the bank's operations are carried out in a manner that optimally utilizes assets to generate revenue.
4. **No Significant External Disruptions:** Assumes that there are no external factors (e.g., market disruptions or regulatory changes) significantly affecting the bank's ability to generate sales.

Significance:

1. **Efficiency Indicator:** The Asset Turnover Ratio provides insights into how efficiently a bank utilizes its assets to generate revenue. A higher ratio indicates better asset utilization.
2. **Investment Strategy Evaluation:** A high ratio indicates that the bank is generating revenue through the efficient use of its assets, which is necessary for putting ambitious investment initiatives into action.
3. **Comparative Benchmarking:** It allows for comparison between banks or financial institutions within the same industry, highlighting which ones are better at asset utilization.
4. **Operational Performance:** The ratio can serve as an indicator of operational efficiency, showing how well the bank's asset base is being utilized relative to its total sales or revenue.
5. **Growth Potential:** In order to maximize return on investment, a high asset turnover ratio frequently indicates that the bank may grow its operations or make more investments without having to acquire significant new assets.

x. Investment to Total Assets Ratio

The Investment to Total Assets Ratio measures the proportion of a company's total assets that are invested in various investment vehicles, such as securities, bonds, or other financial assets. It serves to figure out how much of a company's assets are allocated to possible future-return investments. The formula for the ratio is:

$$\text{Investment to Total Assets Ratio} = \frac{\text{Total Investments}}{\text{Total Assets}} \times 100$$

Assumptions:

1. **Stable Investment Strategy:** Assumes that the bank maintains a consistent strategy regarding how much of its assets are allocated to investments, reflecting a strategic balance between risk and return.
2. **Accurate Asset Valuation:** Assumes that both the investment value and total assets are appropriately valued in the financial statements, giving a true picture of asset allocation.
3. **Risk-Return Consideration:** Assumes that the investments made are in line with the bank's risk profile, which can influence the ratio's effectiveness as a gauge of financial health.
4. **Market Conditions:** Assumes that external market conditions have not drastically altered the value or composition of the investments during the measurement period.

Significance:

1. **Investment Strategy Assessment:** This ratio is crucial for assessing how aggressive or conservative a bank is with its investments. A more conservative approach is suggested by a lower ratio, whilst a larger ratio would reflect a more aggressive investment plan.
2. **Liquidity Management:** A bank may be less able to retain liquidity for other operational needs or unexpected liabilities if a very high ratio indicates that a sizable amount of its assets is being committed to investments.
3. **Revenue Generation:** The ratio gives insight into how much of the bank's total assets are actively working to generate income. Higher investment-to-assets ratios might signal greater potential for income generation, especially if the investments are yielding good returns.
4. **Financial Health Indicator:** It also serves as a reflection of the bank's overall financial health. A balanced investment-to-assets ratio can indicate that the bank is diversifying its asset base efficiently while balancing risk and return.

xi. Earnings Per Share (EPS)

Earnings Per Share (EPS) represents the portion of a company's profit allocated to each outstanding share of common stock. It is a key indicator used by investors to measure the profitability of a company on a per-share basis. The formula for EPS is:

$$EPS = \frac{\text{Net Income} - \text{Dividend on Preferred Stock}}{\text{Weighted Average Outstanding Shares}}$$

Assumptions:

- The calculation assumes accurate and consistent reporting of net income.
- It also assumes that preferred dividends are subtracted from net income, which might not be applicable in companies without preferred stock.
- The weighted average number of shares is used to adjust for any changes in share capital during the period.

Significance:

- EPS is a crucial indicator for assessing a company's profitability, especially when comparing companies in the same industry.
- It helps investors understand the earnings available to shareholders and is often used in calculating the Price-to-Earnings (P/E) ratio.
- An increasing EPS typically signals growing profitability, while declining EPS could indicate financial difficulties.

xii. Price-to-Earnings (P/E) Ratio

The Price-to-Earnings (P/E) Ratio is a valuation ratio that compares a company's current share price to its per-share earnings. It is widely used by investors to evaluate whether a stock is overvalued or undervalued. The formula for P/E is:

$$P/E = \frac{\text{Market Price Per Share}}{\text{Earnings Per Share (EPS)}}$$

Assumptions:

- The ratio assumes that the reported earnings are accurate and reflect the company's true performance.
- It presumes that investors are using the most recent share price data, which can fluctuate due to market conditions.

Significance:

- The P/E ratio is a quick way for investors to determine how much they are paying for each unit of earnings.
- A high P/E suggests that investors expect high growth in the future, while a low P/E may indicate that the stock is undervalued or has lower growth prospects.
- It helps to compare companies in the same industry to gauge market sentiment and stock valuation.

xiii. Interest Coverage Ratio

The Interest Coverage Ratio is a financial ratio used to determine how easily a company can pay interest on its outstanding debt. It measures the ability of a company to meet its interest obligations from its operating income. The formula is:

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT (Earnings Before Interest and Taxes)}}{\text{Interest Expense}}$$

Assumptions:

- This ratio assumes that EBIT (Earnings Before Interest and Taxes) accurately reflects a company's operational performance before interest costs are deducted.
- It assumes that interest expenses are consistent and do not fluctuate significantly during the period under review.

Significance:

- A higher ratio indicates that the company has a strong ability to cover its interest payments, which is an indication of lower financial risk.

- A ratio below 1 suggests that the company is not generating enough income to cover its interest costs, raising concerns about potential solvency issues.
- It is a crucial ratio for lenders and investors as it assesses the company's ability to manage debt levels.

xiv. Inventory Turnover Ratio

The Inventory Turnover Ratio measures how efficiently a company manages its inventory by comparing its cost of goods sold (COGS) to its average inventory during a period. The formula is:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

Assumptions:

- It assumes that the cost of goods sold is accurately recorded and reflects the total cost of inventory sold during the period.
- The ratio assumes consistent inventory practices and that inventory records are properly maintained.
- It is calculated using an average inventory for the period, which assumes no significant changes in inventory levels.

Significance:

- A high inventory turnover ratio indicates that a company is efficiently selling and replacing its inventory, which is a positive indicator of operational efficiency.
- A low ratio might suggest overstocking, slow sales, or obsolescence issues.
- It is crucial for understanding how well a company is managing its inventory and how quickly it is converting inventory into sales revenue, impacting cash flow and profitability.

Chapter-04: Investment Analysis of Agrani Bank PLC (2019-2023)

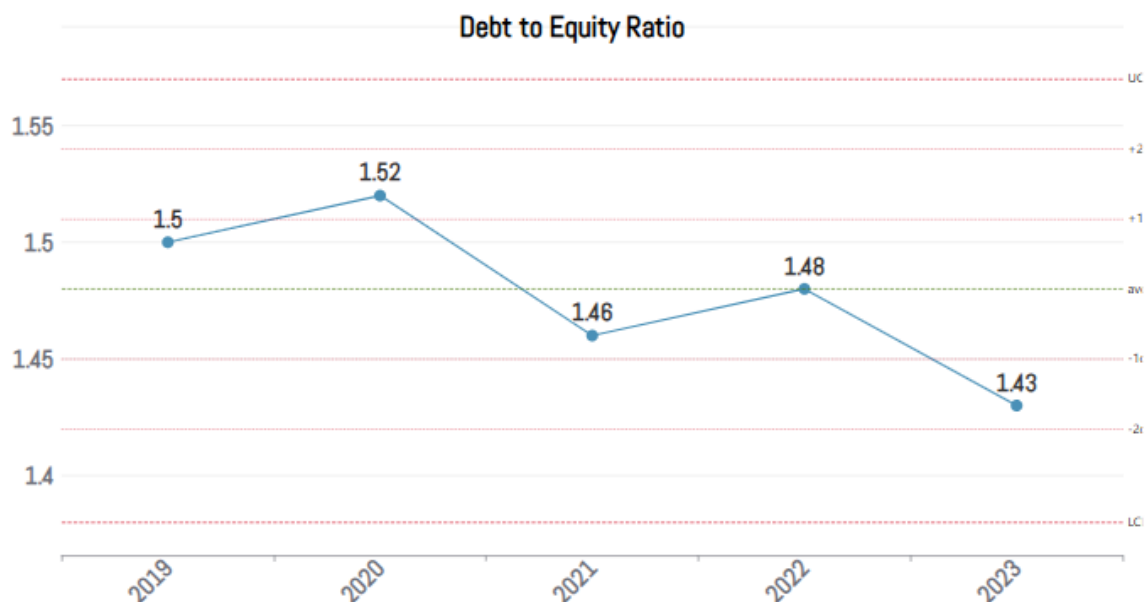
4.1: Financing Ratios

4.1.1: Debt to Equity Ratio

The ratio of Agrani Bank PLC's total debt to its shareholder equity is known as the debt-to-equity ratio. It evaluates the bank's financial leverage and shows the proportion of debt to equity utilized to finance its assets.

Table-1.1: Debt-to-Equity Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Debt-to-Equity Ratio	1.50	1.52	1.46	1.48	1.43



Interpretation:

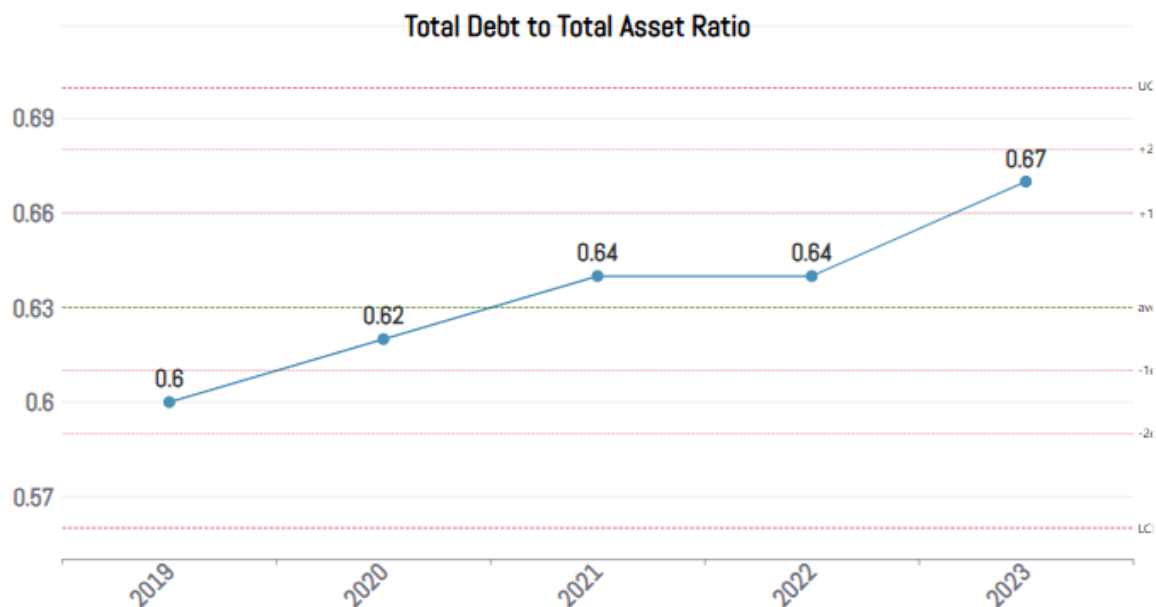
In 2019, the debt-to-equity ratio of Agrani Bank PLC was 1.50, indicating that the bank used BDT 1.50 of debt for every BDT 1 of equity. The ratio increased slightly to 1.52 in 2020, reflecting a higher reliance on debt. In 2021, the ratio decreased to 1.46, suggesting a relatively improved equity position. In 2022, the ratio rose marginally to 1.48, showing a slight increase in leverage. By 2023, the ratio declined to 1.43, demonstrating a gradual reduction in the bank's reliance on debt relative to equity.

4.1.2: Total Debt to Total Asset Ratio

The total debt to total asset ratio measures the proportion of a bank's assets that are financed through debt. It reflects the financial risk and leverage of Agrani Bank PLC by indicating how much of the bank's assets are funded by creditors.

Table-1.2: Total Debt to Total Asset Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Total Debt to Total Asset Ratio	0.60	0.62	0.64	0.64	0.67



Interpretation:

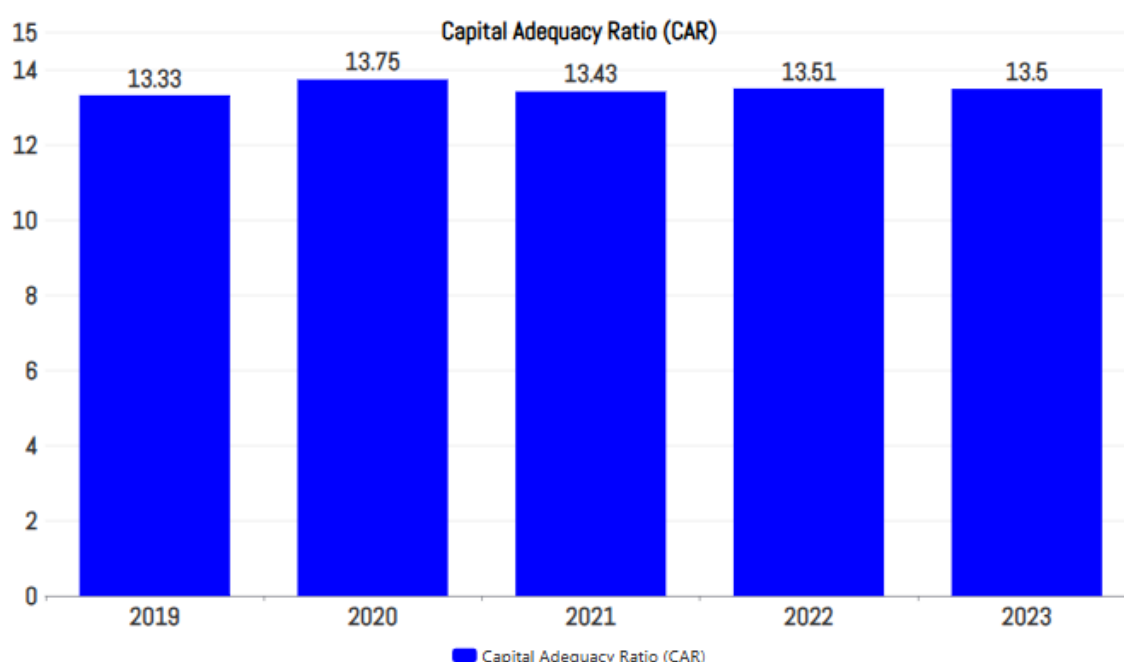
In 2019, Agrani Bank PLC had a total debt to total asset ratio of 0.60, meaning 60% of the bank's assets were financed by debt. This increased slightly to 0.62 in 2020, showing a moderate rise in leverage. The ratio further increased to 0.64 in 2021 and 2022, reflecting a consistent reliance on debt financing. In 2023, the ratio rose to 0.67, indicating that a greater proportion of the bank's assets was funded through debt, which could suggest higher financial risk in terms of debt servicing.

4.1.3: Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio (CAR) measures the bank's capital in relation to its risk-weighted assets, ensuring that Agrani Bank PLC has enough capital to absorb potential losses and protect depositors. It is a key indicator of the bank's financial stability and resilience to economic shocks.

Table-1.3: Capital Adequacy Ratio (CAR) from year 2019-2023

Year	2019	2020	2021	2022	2023
CAR (%)	13.33	13.75	13.43	13.51	13.50



Interpretation:

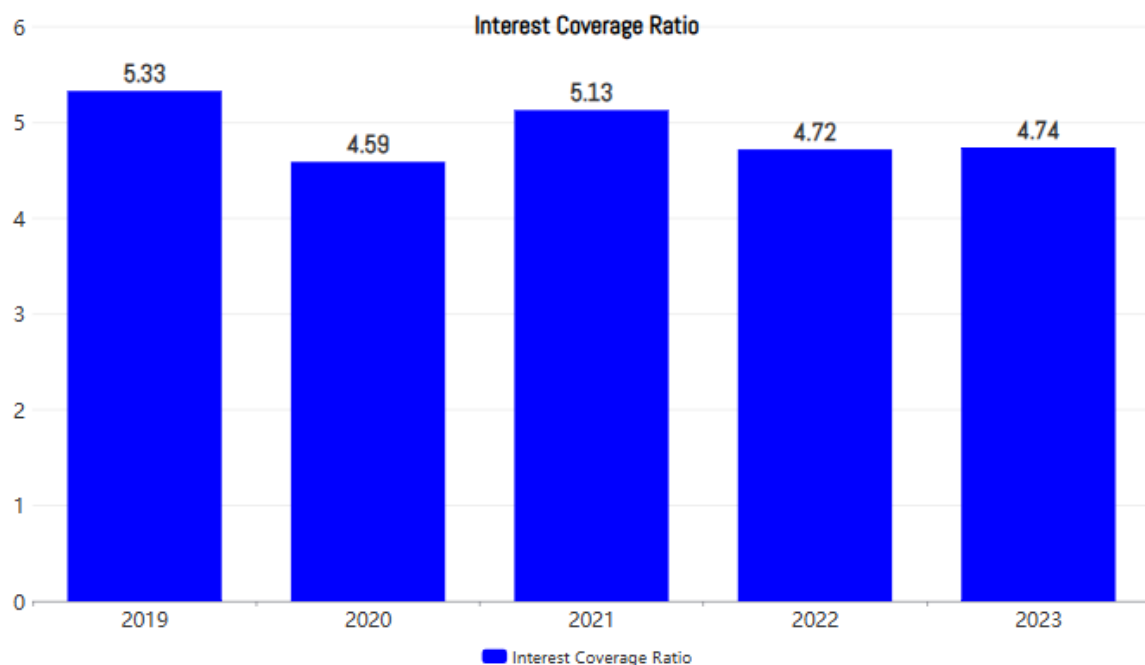
In 2019, Agrani Bank PLC's Capital Adequacy Ratio (CAR) was 13.33%, indicating that the bank had 13.33% of capital relative to its risk-weighted assets. This ratio improved to 13.75% in 2020, suggesting a stronger capital position to absorb potential losses. In 2021, the CAR slightly declined to 13.43%, reflecting an increase in risk-weighted assets outpacing capital growth. However, the ratio increased to 13.51% in 2022, signaling a stronger capital buffer. By 2023, the CAR remained stable at 13.50%, indicating that the bank had maintained a consistent level of capital adequacy to support its risk exposure.

4.1.4: Interest Coverage Ratio

The Interest Coverage Ratio measures a company's ability to meet its interest payments on outstanding debt. It is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by its interest expenses. A higher ratio indicates a greater ability to cover interest obligations, suggesting lower financial risk.

Table-1.4: Interest Coverage Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Interest Coverage Ratio	5.33	4.59	5.13	4.72	4.74



Interpretation:

In 2019, the Interest Coverage Ratio was 5.33, indicating the bank earned more than five times its interest expense, suggesting strong capacity to meet interest payments. In 2020, the ratio dropped to 4.59, reflecting an increased interest burden due to higher debt levels or interest rates, indicating a potential strain on the bank's ability to cover interest expenses. The ratio remained relatively stable in 2021 (5.13), 2022 (4.72), and 2023 (4.74), showing slight improvement but still relatively low, indicating that the bank is managing interest coverage but with limited margin.

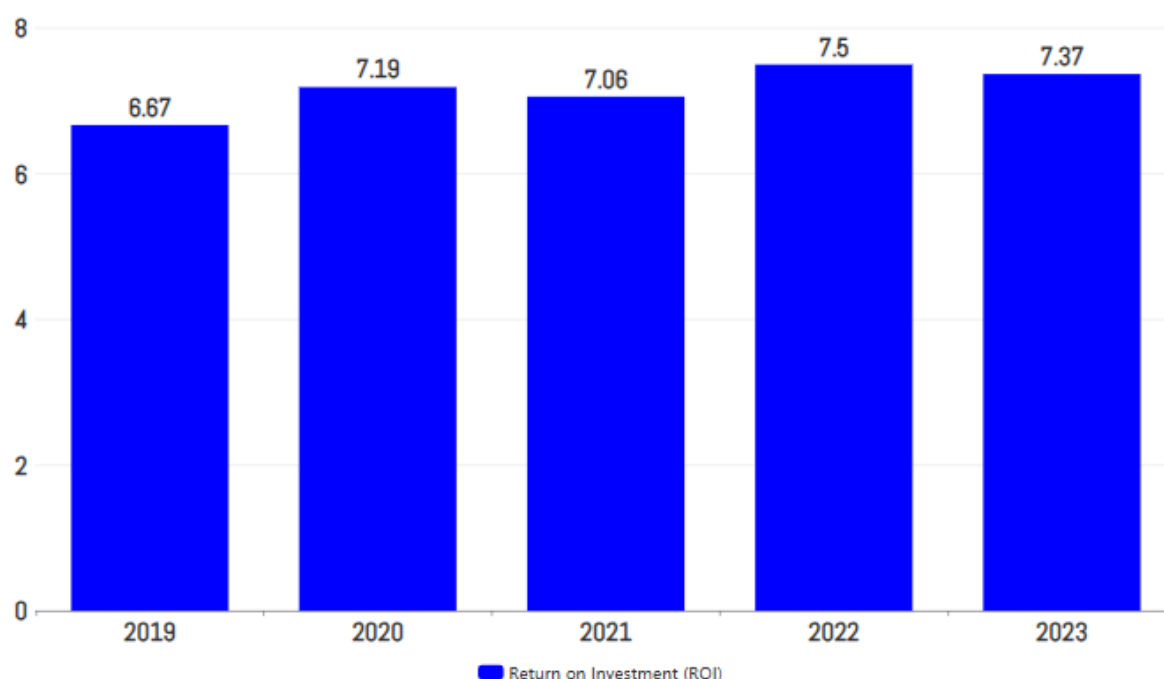
4.2: Investment Ratios

4.2.1: Return on Investment (ROI)

Return on Investment (ROI) evaluates the profitability of Agrani Bank PLC's investment activities. It measures how much profit the bank has generated from its investments, relative to the cost of those investments, and is crucial for assessing the effectiveness of the bank's capital allocation strategies.

Table-2.1: Return on Investment (ROI) from year 2019-2023

Year	2019	2020	2021	2022	2023
ROI (%)	6.67	7.19	7.06	7.50	7.37



Interpretation:

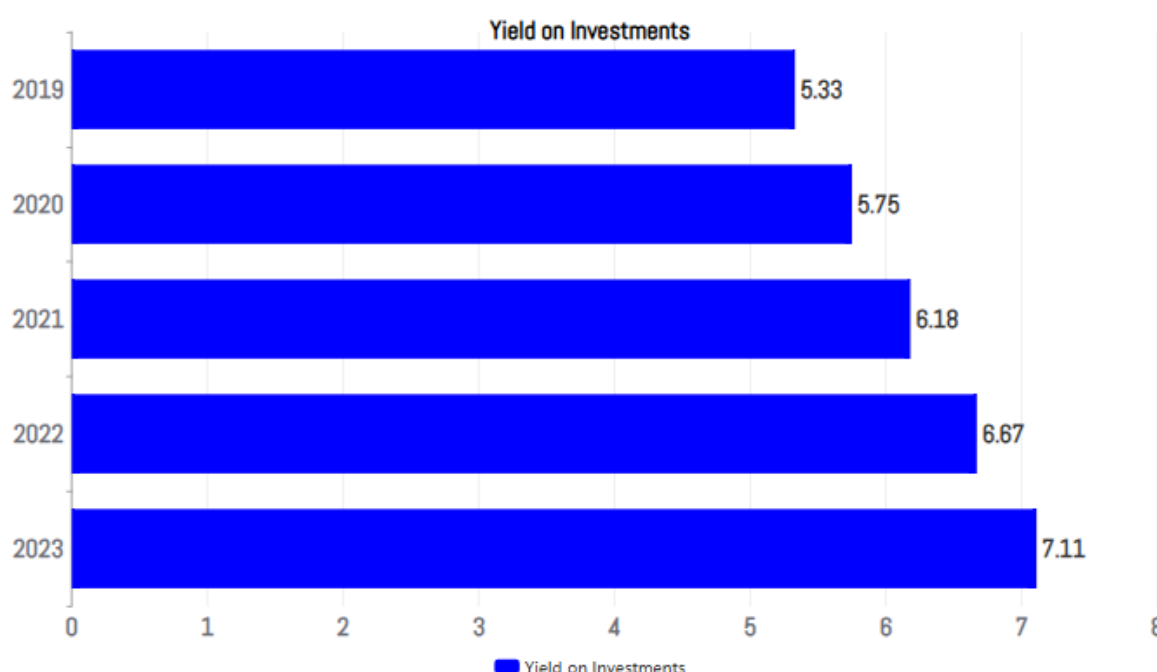
In 2019, Agrani Bank PLC's return on investment (ROI) was 6.67%, meaning the bank earned a return of 6.67% on every BDT 100 invested. This increased to 7.19% in 2020, indicating better returns from investments. In 2021, the ROI slightly decreased to 7.06%, suggesting that despite higher profits, the cost of investments increased more rapidly. However, the ROI improved again to 7.50% in 2022, reflecting a stronger return relative to the bank's investment costs. In 2023, the ROI slightly declined to 7.37%, but it remained higher than in 2019, demonstrating sustained profitability from the bank's investment activities.

4.2.2: Yield on Investments

Yield on Investments measures the income generated from Agrani Bank PLC's investments, expressed as a percentage of the investment's value. It helps assess how effectively the bank's investments are generating returns relative to the total value of the investment.

Table-2.2: Yield on Investments from year 2019-2023

Year	2019	2020	2021	2022	2023
Yield on Investments (%)	5.33	5.75	6.18	6.67	7.11



Interpretation:

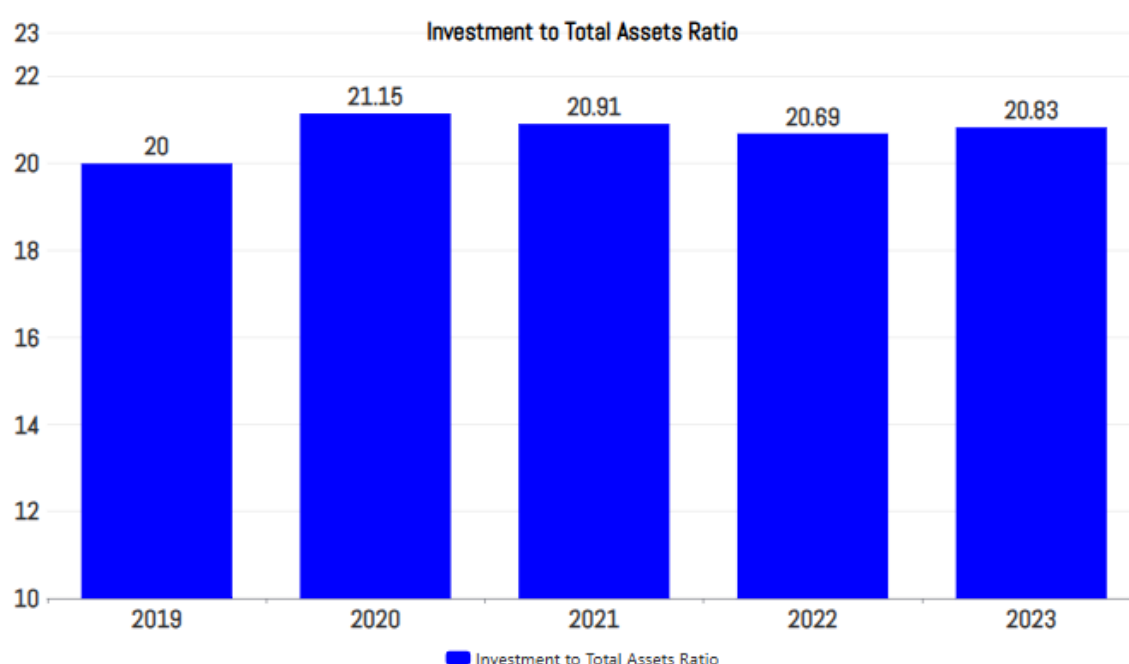
In 2019, Agrani Bank PLC's yield on investments was 5.33%, indicating that the bank earned 5.33% of its total investment value as income. This increased to 5.75% in 2020, suggesting that the bank's investments were becoming more profitable. The yield further improved to 6.18% in 2021, reflecting a positive trend in investment returns. In 2022, the yield increased again to 6.67%, showing enhanced performance in generating income from investments. In 2023, the yield reached 7.11%, demonstrating the bank's continued success in maximizing returns from its investments.

4.2.3: Investment to Total Assets Ratio

The percentage of a bank's total assets that are devoted to investments is shown by the investment to total assets ratio. This ratio helps assess how much of the bank's assets are tied up in investments as opposed to other asset categories, reflecting its investment strategy.

Table-2.3: Investment to Total Assets Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Investment to Total Assets Ratio (%)	20.00	21.15	20.91	20.69	20.83



Interpretation:

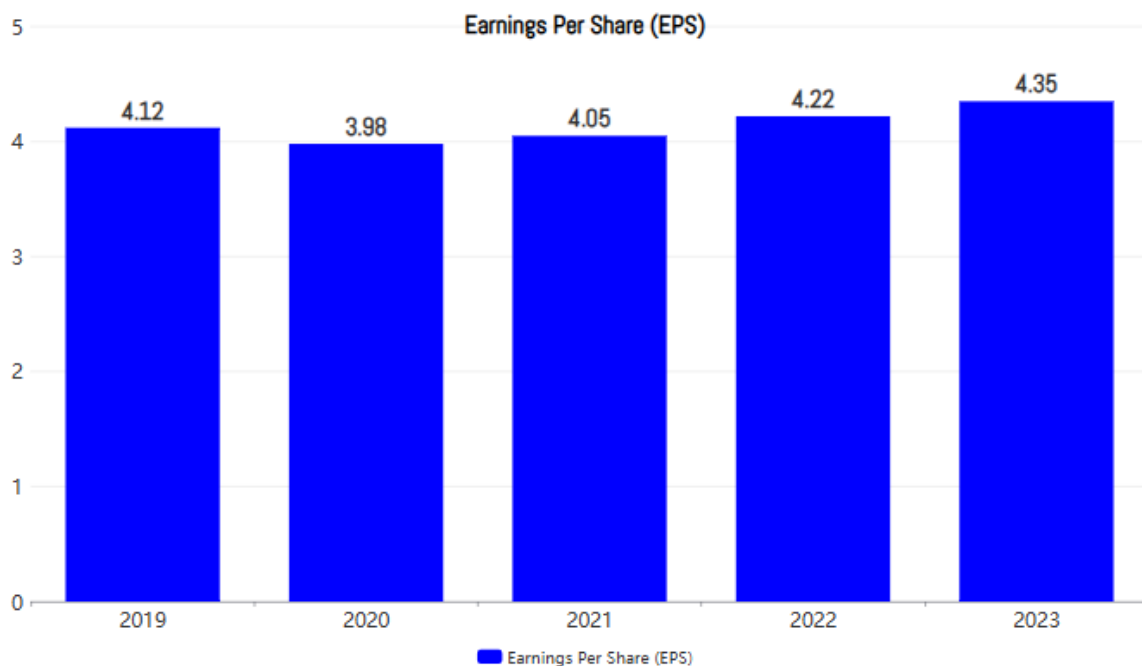
In 2019, Agrani Bank PLC's Investment to Total Assets Ratio was 20%, indicating that 20% of the bank's assets were allocated to investments. This ratio increased slightly to 21.15% in 2020, reflecting a higher proportion of assets being directed towards investments. In 2021, the ratio slightly decreased to 20.91%, showing that the bank adjusted its investment strategy. In 2022, the ratio remained stable at 20.69%, suggesting that the bank maintained a consistent approach in its investment allocation. By 2023, the ratio increased slightly again to 20.83%, signaling a small rise in the proportion of assets allocated to investments.

4.2.4: Earnings Per Share (EPS)

Earnings Per Share (EPS) measures a company's profitability by indicating how much net income is available for each share of common stock. It is a key metric for assessing financial performance from a shareholder's perspective.

Table-2.4: Earnings Per Share (EPS) from year 2019-2023

Year	2019	2020	2021	2022	2023
EPS (BDT)	4.12	3.98	4.05	4.22	4.35



Interpretation:

The Earnings Per Share (EPS) of Agrani Bank PLC shows a consistent upward trend over the five-year period, reflecting steady growth in shareholder profitability. Starting at BDT 4.12 in 2019, the EPS experienced a minor dip to BDT 3.98 in 2020, possibly due to the economic impacts of the COVID-19 pandemic. Subsequently, the EPS rebounded to BDT 4.05 in 2021, followed by consistent growth, reaching BDT 4.22 in 2022 and peaking at BDT 4.35 in 2023. This trend indicates improved financial performance and profitability management, enhancing investor confidence.

4.2.5: Price-to-Earnings (P/E) Ratio

The Price-to-Earnings (P/E) Ratio measures the market price of a company's stock relative to its earnings per share (EPS). This ratio is commonly used to assess if a company's stock is overvalued or undervalued compared to its earnings, helping investors gauge whether the stock price is justified by the company's performance.

Table-2.5: Price-to-Earnings (P/E) Ratio year 2019-2023

Year	2019	2020	2021	2022	2023
P/E (Times)	8.62	8.23	8.45	8.56	8.62



Interpretation:

In 2019, the P/E ratio was 8.62, indicating that investors were willing to pay 8.62 times the earnings for the stock. The 2020 decline to 8.23 may reflect market uncertainty due to the pandemic, slightly lowering the perceived value of the bank's future earnings. Since then, the ratio has slightly increased, reaching 8.62 in 2023, which suggests the market has stabilized but not significantly grown in confidence or expectations of future earnings growth.

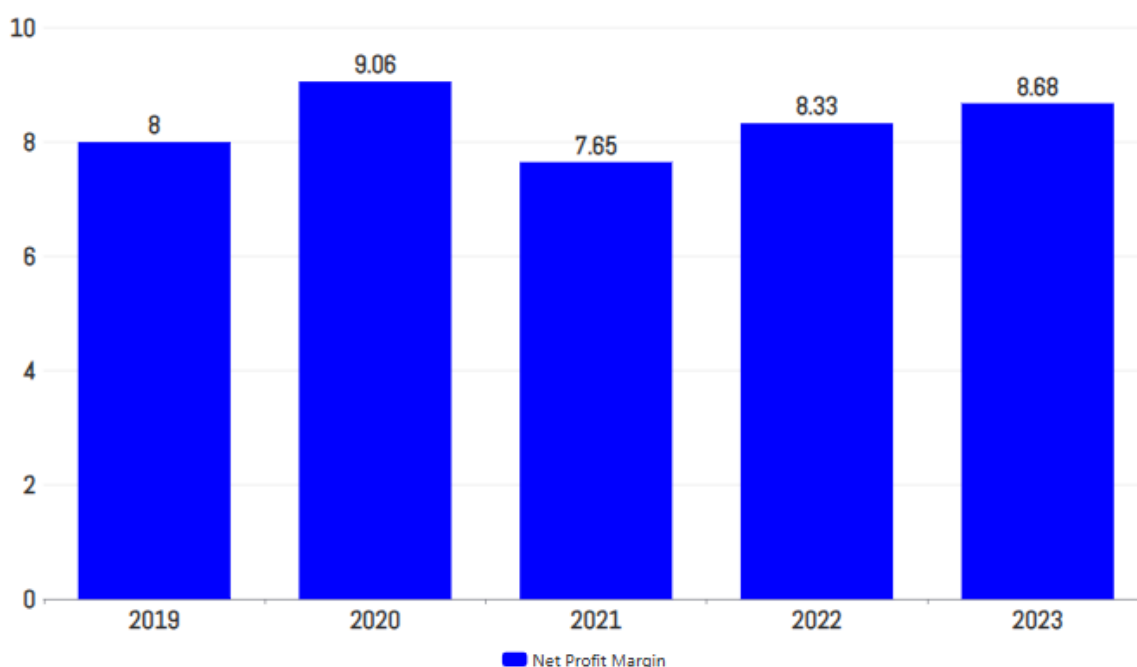
4.3: Risk Ratios

4.3.1: Net Profit Margin

The net profit margin measures Agrani Bank PLC's profitability by indicating the percentage of revenue that remains as profit after all expenses. It is a key indicator of the bank's overall financial health and efficiency in managing its costs.

Table-3.1: Net Profit Margin from year 2019-2023

Year	2019	2020	2021	2022	2023
Net Profit Margin (%)	8.00	9.06	7.65	8.33	8.68



Interpretation:

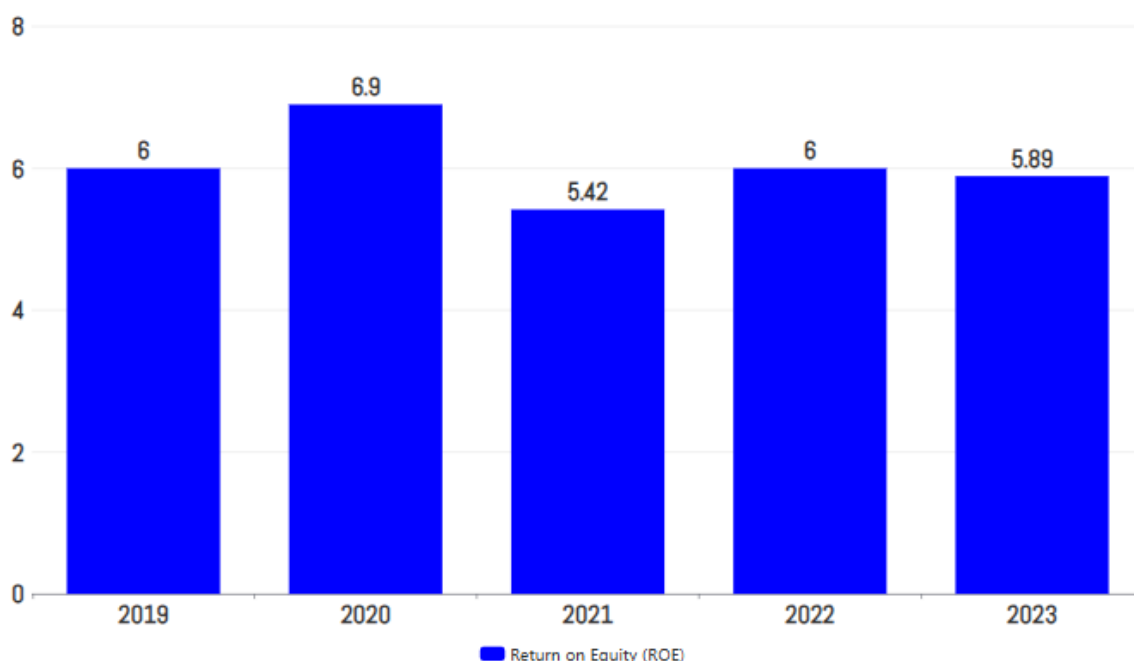
In 2019, Agrani Bank PLC had a net profit margin of 8.00%, indicating that 8% of its revenue turned into profit. This increased to 9.06% in 2020, reflecting improved cost management and profitability. In 2021, the net profit margin declined slightly to 7.65%, signaling a decrease in profitability relative to revenue, likely due to increased operational costs or lower revenue growth. The ratio improved to 8.33% in 2022, showing a rebound in profitability, and reached 8.68% in 2023, suggesting that the bank's profit generation efficiency continued to strengthen.

4.3.2: Return on Equity (ROE)

Return on Equity (ROE) measures Agrani Bank PLC's ability to generate profit from its shareholders' equity. It is a key indicator of the bank's profitability and how effectively it uses its equity base to generate earnings.

Table-3.2: Return on Equity (ROE) Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
ROE (%)	6.00	6.90	5.42	6.00	5.89



Interpretation:

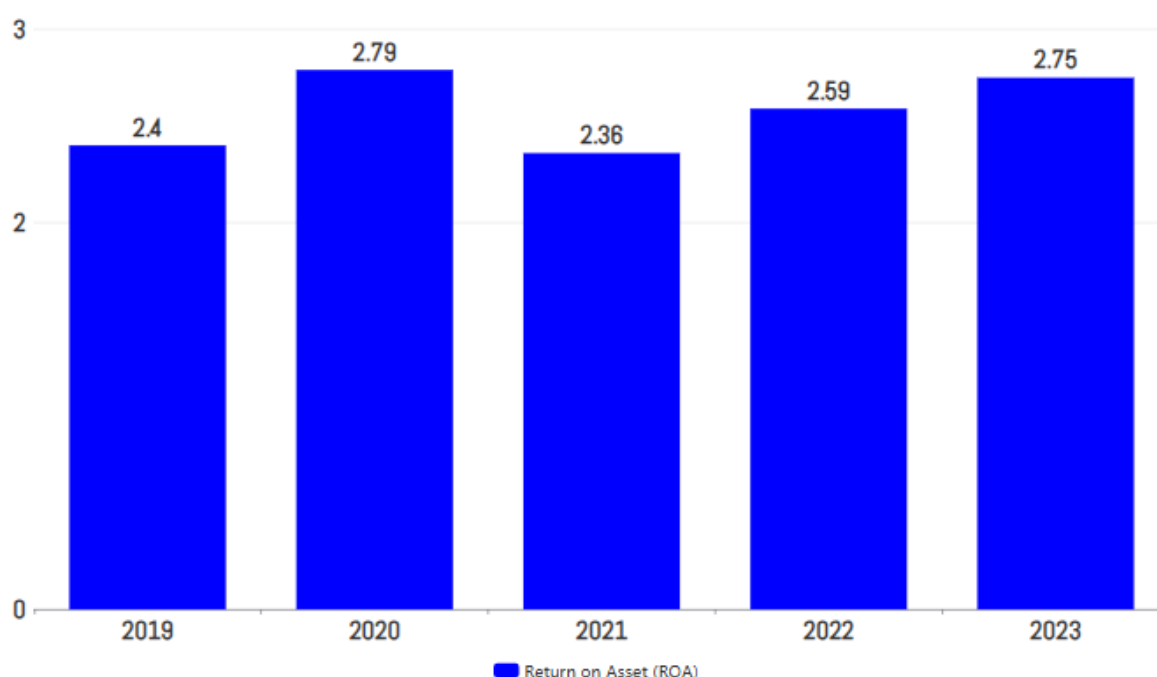
In 2019, Agrani Bank PLC had a return on equity (ROE) of 6.00%, indicating that the bank earned 6% of profit for every BDT 1 of equity. In 2020, the ROE increased to 6.90%, reflecting higher profitability relative to equity. However, in 2021, the ROE decreased to 5.42%, signaling a decline in profitability despite higher equity. In 2022, the ROE returned to 6.00%, maintaining the same level as 2019, but in 2023, it slightly declined again to 5.89%, indicating a small drop in return on shareholders' equity.

4.3.3: Return on Asset (ROA)

Agrani Bank PLC's capacity to produce a profit from its whole asset base is gauged by its return on assets, or ROA. It is a key measure of total asset management and shows how well the bank manages its assets to generate earnings.

Table-3.3: Return on Assets (ROA) Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
ROA (%)	2.40	2.79	2.36	2.59	2.75



Interpretation:

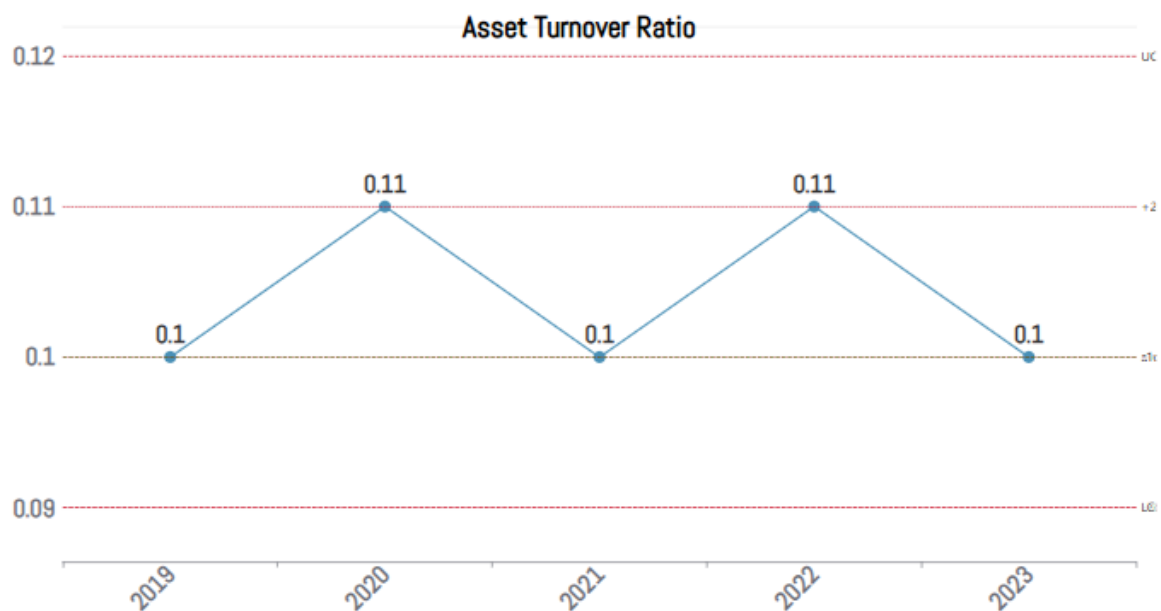
In 2019, Agrani Bank PLC had a return on assets (ROA) of 2.40%, indicating that the bank earned 2.4% of profit for every unit of assets it controlled. In 2020, the ROA increased to 2.79%, reflecting better utilization of assets to generate profits. However, in 2021, the ROA slightly dropped to 2.36%, suggesting a minor decline in asset efficiency. In 2022, the ROA rose again to 2.59%, showing a recovery in the bank's asset management. By 2023, the ROA further increased to 2.75%, indicating improved profitability from the bank's asset base.

4.3.4: Asset Turnover Ratio

The Asset Turnover Ratio measures how efficiently Agrani Bank PLC utilizes its assets to generate revenue. Better asset management and efficient use of the bank's assets to produce revenue are indicated by a greater asset turnover ratio.

Table-3.4: Asset Turnover Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Asset Turnover Ratio (Times)	0.10	0.11	0.10	0.11	0.10



Interpretation:

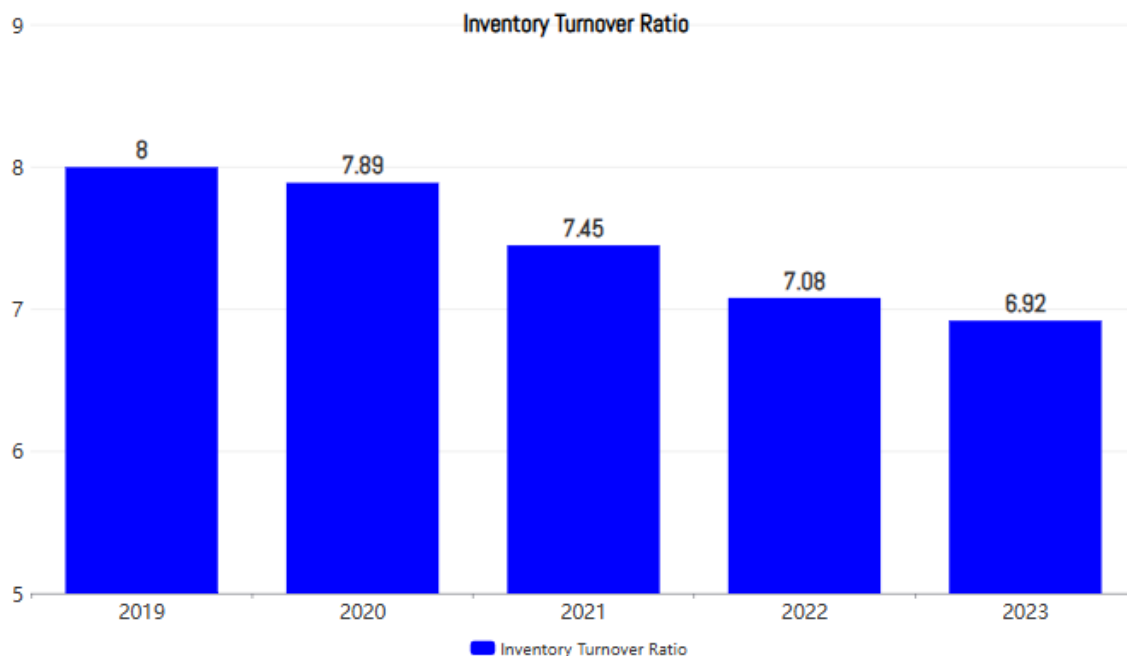
In 2019, Agrani Bank PLC's Asset Turnover Ratio was 0.10, meaning the bank generated BDT 0.10 in revenue for every BDT 1 of assets it held. The ratio increased to 0.11 in 2020, indicating slightly better efficiency in asset utilization. In 2021, the ratio dropped back to 0.10, reflecting a decline in revenue generation despite a slight increase in assets. However, in 2022, the ratio returned to 0.11, indicating improved asset utilization. By 2023, the ratio remained steady at 0.10, suggesting that the bank maintained a consistent level of effectiveness in making use of its resources to generate income, though not improving significantly from prior years.

4.3.5: Inventory Turnover Ratio

The Inventory Turnover Ratio measures how efficiently a company is managing its inventory. It calculates how many times a company sells and replaces its inventory over a period, typically a year. A higher ratio indicates that a company is selling its inventory quickly and efficiently, while a lower ratio suggests slow-moving inventory, which may imply overstocking or ineffective sales strategies.

Table-3.5: Inventory Turnover Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Inventory Turnover Ratio	8.00	7.89	7.45	7.08	6.92



Interpretation:

The Inventory Turnover Ratio for Agrani Bank PLC has shown a consistent decline from 8.00 in 2019 to 6.92 in 2023. This downward trend signifies a reduction in inventory efficiency, with the ratio dropping each year, indicating that the company is taking longer to sell and replenish its inventory. In 2019, the ratio was at a healthy 8.00, but by 2023, it had decreased by 1.08 points to 6.92, which is a clear sign of slower inventory movement. This suggests that either the bank's stock is not selling as quickly as before, or there might be overstocking or inventory management inefficiencies.

Chapter-05: Findings, Recommendations and Conclusion

5.1: Findings

1. **Debt-to-Equity Ratio:** Consistently above 1.40, peaking at 1.52 in 2020, indicating over-reliance on debt, reducing financial flexibility.
2. **Total Debt-to-Total Asset Ratio:** Increased from 60% in 2019 to 67% in 2023, reflecting higher debt financing, limiting liquidity.
3. **Net Profit Margin:** Fluctuated from 8.00% in 2019 to 8.68% in 2023, showing inconsistent profitability and limited reinvestment potential.
4. **Return on Equity (ROE):** Dropped from 6.90% in 2020 to 5.89% in 2023, signaling reduced efficiency in equity utilization.
5. **Return on Assets (ROA):** Declined to 2.36% in 2021, recovering to 2.75% in 2023, indicating inconsistent asset productivity.
6. **Return on Investment (ROI):** Peaked at 7.50% in 2022, declining slightly to 7.37% in 2023, reflecting inefficiencies in capital allocation.
7. **Yield on Investments:** Improved to 7.11% in 2023, indicating stronger returns but potentially higher risk exposure.
8. **Capital Adequacy Ratio (CAR):** Stable at around 13.33%–13.75%, with a minor dip in 2021, indicating adequate but fluctuating capital buffers.
9. **Asset Turnover Ratio:** Stagnant at 0.10–0.11, reflecting inefficiencies in asset utilization for revenue generation.
10. **Investment-to-Total Assets Ratio:** Remained steady, increasing slightly to 20.83% in 2023, showing limited growth in leveraging assets for investments.
11. **Earnings Per Share (EPS):** Marginal growth from BDT 4.22 in 2022 to BDT 4.35 in 2023, highlighting slow profitability improvement.
12. **Price-to-Earnings (P/E) Ratio:** Stable at around 8.6, suggesting limited market growth expectations and low investor confidence.
13. **Interest Coverage Ratio:** Declined from 5.33 in 2019 to 4.74 in 2023, indicating reduced ability to cover interest expenses.
14. **Inventory Turnover Ratio:** Dropped from 8.00 in 2019 to 6.92 in 2023, highlighting slower inventory movement and potential overstocking issues.

5.2: Recommendations

1. **Debt-to-Equity Ratio:** Reduce reliance on debt to target below 1.35 by 2025 through limiting debt growth and increasing retained earnings.
2. **Total Debt-to-Total Asset Ratio:** Decrease to 60% by reallocating debt-funded assets and improving equity financing.
3. **Net Profit Margin:** Stabilize and enhance to 10% by reducing expenses and focusing on high-yield investments.
4. **Return on Equity (ROE):** Boost to 7.5% by focusing on profitable equity-driven projects and increasing net earnings.
5. **Return on Assets (ROA):** Raise to 3% by deploying more assets into high-yield sectors with returns over 8%.
6. **Return on Investment (ROI):** Maintain above 7.5% by prioritizing investments with a minimum 9% return.
7. **Yield on Investments:** Cap growth at 7.5%, reallocating high-risk investments to safer options.
8. **Capital Adequacy Ratio (CAR):** Maintain at least 14% by increasing capital reserves and managing risk-weighted assets.
9. **Asset Turnover Ratio:** Improve to 0.12 by generating more revenue per asset and optimizing the portfolio.
10. **Investment-to-Total Assets Ratio:** Raise to 22% by reallocating more assets to profitable investments.
11. **Earnings Per Share (EPS):** Target BDT 4.80–4.85 by 2024 through profit growth and cost reductions.
12. **Price-to-Earnings (P/E) Ratio:** Increase P/E by enhancing EPS growth and aligning with high-return strategies.
13. **Interest Coverage Ratio:** Improve by refinancing high-interest debt and increasing EBIT through revenue growth.
14. **Inventory Turnover Ratio:** Enhance by optimizing inventory management and reducing overstocking.

5.3: Conclusion

This report provides a detailed assessment of Agrani Bank PLC's investment performance and financial stability from 2019 to 2023, emphasizing both strengths and challenges within its investment strategies. Key achievements include an improving Yield on Investments, which reached 7.11% in 2023, and a stable Capital Adequacy Ratio (CAR) averaging 13.5%, reflecting the bank's resilience amid economic uncertainties. However, areas of concern are evident, such as a high Debt-to-Equity Ratio, peaking at 1.52 in 2020, and a Total Debt-to-Total Asset Ratio of 67% in 2023, indicating over-reliance on debt financing and reduced financial flexibility. Profitability metrics like Net Profit Margin, ROE, and ROA showed inconsistent trends, signaling inefficiencies in cost management, equity utilization, and asset productivity. Additionally, the Asset Turnover Ratio remained stagnant at 0.10–0.11, and the Investment-to-Total Assets Ratio displayed minimal growth, highlighting a conservative approach to leveraging assets for higher returns. To address these challenges, the bank should focus on optimizing its debt structure, improving cost efficiency, enhancing asset utilization, and diversifying revenue streams to ensure sustainable growth, strengthen its competitive position, and maximize returns for stakeholders.

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