

ASSET-LIABILITY MANAGEMENT MANUAL
(ALM MANUAL)
(6th edition, 2025)

**Approved in the 864th meeting of the Board of Directors,
Janata Bank PLC dated 20.11.2025**



Janata Bank PLC.
Treasury Department
Head Office, Dhaka

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LIST OF ABBREVIATIONS

ADR- Advance to Deposit Ratio	OBU- Off-shore Banking Unit
ALCO- Asset and Liability Management Committee	OTC-Over-the-counter
ALM- Asset and Liability Management	PD-Primary Dealer
ATDTL-Average Total Demand and Time Liabilities	SLP- Structural Liquidity Profile
BB-Bangladesh Bank	SLR-Statutory Liquidity Ratio
BCBS-Basel Committee for Banking Supervision	SND-Short Notice Deposit
CFP- Contingency Funding Plan	VaR-Value at Risk
CMT- Contingency Management Team	WBG- Wholesale Borrowing Guidelines
CRAR- Capital to risk weighted Asset Ratio	YTM-Yield To Maturity
CRO-Chief Risk Officer	
CRR-Cash Reserve Ratio	
FCY-Foreign Currency	
FX-Foreign Exchange	
GDP-Gross Domestic Product	
GFC- Global Financial Crisis	
HQLA- High Quality Liquid Assets	
ISA-Interest Rate Sensitive Assets	
ISL-Interest Rate Sensitive Liabilities	
LCR- Liquidity Coverage Ratio	
LCY-Local Currency	
L/C-Letter of Credit	
MCO- Maximum Cumulative Outflow	
MIS-Management Information System	
MVE-Market Value of Equity	
NII-Net Interest Income	
NIM-Net Interest margin	
NPL-Non Performing Loan	
NSFR- Net Stable Funding Ratio	

EXECUTIVE SUMMARY

Janata Bank PLC., the 2nd Largest State Owned Commercial Bank in Bangladesh is playing pivotal role in overall financial activities of the country. Managing Assets and Liabilities to foster a sustainable growth is one of the key issues of banking industry. In addition to other core risks, Janata Bank PLC. also pays keen attention to Asset Liability Management (ALM) through managing the liquidity and market risk with a view to achieve its financial goal. The outcome of this concern was well reflected in the activities of the Basel Committee for Banking Supervision while formulating the Basel 2.5 and Basel iii documents. The Liquidity (LCR and NSFR) and Leverage Ratios are primarily meant to address the above risks. Bangladesh Bank has already declared the Roadmap for the implementation of Basel iii in the banking sector. The Liquidity Ratios have already been implemented as a prudential requirement from September 2015. On the other hand, after final adjustment by BB in 2017, Leverage Ratio requirements have become a separate capital standard for banks from January 2018.

Asset-Liability Management (ALM) of banks' will be centered on the above three ratios after implementation of Basel iii. Asset-Liability management is an essential process for banks and when not well managed, it creates a threat to the existence of the bank itself. Banks must have their own ALM policy, essentially approved by the BODs. The Asset-Liability Management Committee (ALCO), comprising of the senior management of a bank, is primarily responsible for managing assets and liabilities under the set ALM policy.

While editing this ALM Guideline, a special emphasis has been given on the newly implemented issues regarding BASEL iii Liquidity Standards (LCR, NSFR, Leverage Ratio etc). Regarding this, Janata Bank PLC. has set up it's own Limits based on bank's Liquidity and business capacity in accordance with the guideline given by Bangladesh Bank's ALM Guideline 2015. This guideline also concentrates on the analysis of Liquidity, Interest Rate Risk and Market Risk Management in the Appendix separately.

Asset-Liability Management (ALM)

Introduction

An increase in the overall volatility of the global financial markets, the proliferation of new financial products as well as an ever increasing regulatory environment, have moved Asset-Liability Management (ALM) to the forefront of the financial landscape. As a result, Asset-Liability Management (ALM) has become a critical function for banks and financial institutions worldwide.

Banking Regulation & Policy Department of Bangladesh Bank vide their BRPD circular no-17 dated: 07-10-2003 instructed to all banks for preparing core risks manual as per their guidelines in order to manage asset liability risk. Accordingly, Janata Bank PLC. prepared an ALM guideline in the year 2019 (5th Edition). Finally, on the basis of ALM guidelines issued by Bangladesh Bank in the year 2015 as well as the decisions taken by ALM Risk Management Committee of JB PLC. dated 11.09.2025 Treasury Department with the help of its executives/officers updated this guideline on 2025 for the ALM activities onwards.

For volatile interest rates in the financial market and more generally a continuously changing economic environment, asset-liability management (often abbreviated ALM) is the practice of managing risks that arise due to mismatches between the assets and liabilities. Asset-Liability Management is one of the most useful analytical tools developed in modern banking and financial services management. The process is at the crossroads between risk management and strategic planning as it is not just offering solution to mitigate or hedge the risks arising from the interaction of assets and liabilities but is conducting the bank from a long-term perspective.

Janata Bank PLC., as a financial intermediary, is exposed to several risks which are multi dimensional. The main direct financial risks are credit risk, interest rate risk, liquidity risk, foreign exchange risk and equity risk.

ALM is a process to manage the composition and pricing of the assets, liabilities and off balance sheet items and aims to control bank's exposure to market risks, with the objective of optimizing net income and net equity value within the overall risk preferences of the bank. Pricing of services as recommended by divisions concerned shall also be approved by ALCO.

ALM objectives and scope

The objectives of ALM are to control the volatility of Net Interest Income as well as the Market Value of the Equity of the bank on a coordinated and consistent basis. It further includes controlling Liquidity Risks as well as the effective management of Interest Rate Risk. The objective is also to ensure a balance among profitability, growth and risks. The objectives of ALM are to define, measure, monitor, modify and manage the institution's exposure to Foreign Exchange, Interest Rate and Liquidity Risks.

Objective of the ALM Policy

The objective of Asset-Liability Management is to manage the assets and liabilities of the bank in order to maximize shareholder value, enhance profitability and increase capital to protect the bank from any adverse financial consequences arising from liquidity and interest rate risks.

ALM policy oversees the measurement and management of liquidity, interest rate and foreign exchange risks. This policy seeks to quantify the various risk parameters and control systems needed in the process of financial intermediation and stipulates a proper risk management structure for the bank.

The policy provides the necessary framework to identify measures, monitor, and control and manage the interest rate, liquidity and foreign exchange risks arising from the bank's non-trading activities.

The ALM policy seeks to achieve the following:

- **Liquidity Risk management:** To provide liquidity on demand and maintenance of optimum level of liquid balances to meet all contingencies.
- **Interest Rate Risk Management:** To minimize the volatility in the net interest earnings and economic value of equity holdings by the bank due to changes in interest rates.

The policy aims to achieve the following major objectives:

A. Liquidity Risk Management

- Providing adequate liquidity to the bank by reducing maturity mismatches within manageable permitted levels.
- To ensure that the current and potential demand for funds is supported by cash and liquid assets.
- To maintain the just and adequate liquidity required under all circumstances. The possible needs of liquidity shall be measured keeping in view:
 - a. The need to replace the net outflow of funds- **Funding Risk**;
 - b. The need to compensate for the non receipt of expected inflows-**Time Risk**;
 - c. The need to meet the contingent liabilities when they become due- **Call Risk**.

B. Interest Rate Risk Management

- Proper pricing of assets and liabilities;
- Portfolio review of both assets and liabilities;
- Regular review of interest rate outlook;
- Keep the level of interest rate risk within the manageable level;
- Maximization on net interest margin.

C. Foreign Exchange Risk Management

- Measurement and control of foreign exchange risk.

D. Profit Planning

- Budgeting, strategic planning and monitoring of net profit, interest rate and other balance sheet ratios.

To attain the above objectives it will require the presence of:

ALM Information System: Ensures the availability of accurate and adequate information.

ALM Organization Structure: Defines the involvement of Top Management and defines the responsibilities.

ALM Process: Identification, measures and manages risk and sets policies and tolerance limits.

PART A: POLICY STATEMENT

Asset-Liability Management is a process which is managed by the Asset-Liability Management Committee (ALCO) of the bank. In order to run the process smoothly, it should be guided by specific policy (ALM policy), essentially approved by the Board of Directors. Considering the changes in the business environment as well as regulatory requirement, all policy limits may be revised periodically, if required, taking prior approval from the Board of Directors of the bank.

Asset-Liability Management (ALM) policy discusses the significant risks related to the balance sheet and prescribes a comprehensive framework that is established to allow management to inform business strategy and guide day-to-day operations. In addition, core ALM topics and a glossary of terms have been incorporated in the appendices for further reading and training purposes.

This policy is the exclusive of the Janata Bank PLC. Accordingly, its circulation and use is strictly limited to authorized personnel in the course of bank related operations and administration.

The following policies are set for the bank to comply with Bangladesh Bank (BB) Guidelines:

1.1 Basel iii Liquidity Ratios:

The Basel Committee introduced liquidity standards as a part of the Basel iii capital regime, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Bangladesh Bank (BB) has also issued separate Guidance note on LCR and NSFR under Basel iii. The effect was to increase bank's short and long time resilience. The LCR addresses whether banks have adequate high quality liquid assets to survive stressed liquidity conditions over a 30 days period, while the NSFR guides banks to adopt more stable sources of funding over the long time. As per the guidance note of Bangladesh Bank (BB), Janata Bank PLC. also measures these ratios represent the way forward in ALM through liquidity measurement and management.

1.1.1 Liquidity Coverage Ratio (LCR):

Liquidity Coverage Ratio (LCR) is a new liquidity standard introduced by the Basel Committee. This standard is built on the methodologies of traditional liquidity coverage ratio used by banks to assess exposure to contingent liquidity events. The minimum acceptable value of this ratio is 100% set by Bangladesh Bank (BB). LCR of Janata Bank PLC. was at 96.87% on 31/12/2024. Liquidity Coverage Ratio (LCR) Limit of Janata Bank PLC. has been set at 100% to 150%. To attain the target level, the bank can improve Off-balance sheet exposures by reducing private L/C, guarantees; shifting short term investment into relatively longer term investment and collecting long term deposits, like FDR, recurring deposit etc. Details of calculating LCR exposure is shown in (Appendix-vi).

1.1.1.1 Definitions for the LCR:

The calculation of the LCR requires three important quantities to be defined:

- A. Total value of stock of high quality liquid assets
- B. Total cash outflows, next 30 days (stressed scenario)
- C. Total cash inflows, next 30 days (stressed scenario)

LCR requirement is met if A is greater than B – C; that is, if high quality liquid assets exceed net cash outflows under the stressed scenario. To make the metric even more conservative, C is capped at 75 percent of B.

1.1.1.2 LCR Equation:

$$= \frac{\text{Stock of high quality liquid assets}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

Here, Stock Of high quality assets = A and

Total net cash outflow over the next 30 calendar days = B – C, where C is maximum 75% of B.

1.1.2 Net Stable Funding Ratio (NSFR):

Net Stable Funding Ratio (NSFR) is another new standard introduced by the Basel Committee. The NSFR aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on and off-balance sheet items. The minimum acceptable value of this ratio is 100%, indicating that Available Stable Funding (ASF) should be at least equal to Required Stable Funding (RSF). NSFR of Janata Bank PLC. was at 71.60% on 31/12/2024. The NSFR Limit of Janata Bank PLC. has been set at

100% to 110%. To attain the target level, the bank can improve capital base; enhancing cash recovery from classified as well as write off loan and advances.

1.1.2.1 Definitions of the NSFR:

The calculation of the NSFR requires two quantities to be

defined: A. available stable funding (ASF) and

B. required stable funding (RSF).

NSFR is met if ASF exceeds RSF, that is if $ASF/RSF > 1$ or 100%.

1.1.2.1 NSFR Equation:

$$\frac{\text{Available Amount of Stable Funding (ASF)}}{\text{Required Amount of Stable Funding (RSF)}} \geq 100\%$$

Here, Available Amount of Stable Funding (ASF) = A and

Required Amount of Stable Funding (RSF) = B.

Details of calculating NSFR exposure is shown in **(Appendix vii)**.

1.2 Leverage Ratio:

The Basel committee considered it convenient to introduce a ratio to complement the traditional capital ratios, capable of offering a measure of an institutions capital quality. This was how the leverage ratio came about. A minimum Tier 1 leverage ratio of 3% is being prescribed by BB both at solo and consolidated level. Banks have to maintain leverage ratio on quarterly basis. The ratio is defined as-

$$\text{Leverage Ratio} = \frac{\text{Tier 1 Capital}}{\text{Total Exposure}} \quad [*after related deductions]$$

(* = related deductions will be as per Guidelines on Risk Based Capital Adequacy: Revised Regulatory Capital Framework for banks in line with Basel iii issued by Bangladesh Bank (BB) in December, 2014). The Leverage Ratio of Janata Bank PLC. was (0.03) % on 31.12.2024. The Leverage Ratio of JB PLC. has been set at 3.00 to 3.10%. To attain the target level, the bank can improve capital base.

1.3 Other significant policy statements:

To facilitate the ALM process, the Board of Janata Bank PLC. has set out other policy statements (keeping in mind the minimum requirements of LCR, NSFR and Leverage Ratio) for the followings and conduct an annual review (at least) would be done taking into consideration the changes in the balance sheet and market dynamics.

1.3.1 Advance to Deposit Ratio (ADR):

Advance to Deposit Ratio (ADR) is actually a ratio which is determined by putting Advance in numerator and Liabilities (excluding capital) in denominator. The ratio should be fixed in such a manner so that there will be no unnecessary liquidity pressure on the bank in any point of time. Considering the regulatory liquidity requirements (CRR and SLR), the maximum value of the ratio shall be derived using the formula $[ATDTL (100\%) - CRR * - SLR *]$. Depending upon the capital base, liquidity condition, NPL status etc. and above all the maintenance of LCR & NSFR, the board may decide adding highest 4% and 2% for conventional banks and shariah based banks respectively with the result of the above formula to fix a suitable AD ratio. The ADR of Janata Bank PLC. was 91.92 % on 31.12.2024. As per present liquidity position, ADR for conventional banking of Janata Bank PLC. has been set at 75% to 87%.

To keep ADR at 75% to 87%, Janata Bank PLC. will take up the following strategies:

- Discouraging all loans and advances except SME, CMSME, Agriculture & Rural credit.
- Collecting more deposits.

1.3.1.1 ADR Equation:

The formula for calculating AD ratio is as follows-

$$ADR = \frac{\text{Total Loans and Advances or Investment}}{(\text{Total Time and Demand Liabilities} + \text{Interbank Deposit Surplus} * + \text{Bond Surplus} **)}$$

*Interbank Deposit Surplus = Deposit from other banks - Deposit with other banks (if '-' ve then '0')

** Bond Surplus = Total amount raised from issuing bond - Total investment in bond of other banks (if '-' ve then '0').

1.3.1.3 Adjustment of the AD Ratio Limit:

It is important to adjust AD ratio limit with changing condition of bank's assets and liabilities. The Management of the bank should inform the Board of Directors regarding AD ratio in every meeting so that the Board may take quick decision and take necessary steps to adjust the ratio.

[Note: 1. * depends on SLR fixed by BB from time to time

2. ATDTL = Monthly Average Total Demand and Time Liabilities and shall be calculated according to DOS Circular No.01/2014.

3. CRR = bi-weekly rate as decided by BB from time to time (Current CRR is 4 %).

4. SLR = as decided by BB from time to time (Current SLR is 13.00%).

As long as there is a restriction in the annual loan growth according to the MOU signed between Janata Bank PLC. and Bangladesh Bank, therefore, there is less chance to increase unexpected loan growth in Janata Bank PLC. However, considering the above mentioned MOU restriction, AD ratio may be set at Max. 83%.

If the set limit breaches, the bank may manage the stressed liquidity in the following manner:

- a) Taking Term Deposit from interbank money market.
- b) Customer deposit base should be increased.

1.3.2 Wholesale Borrowing Guidelines (WBG):

The aim of wholesale borrowing (WB) guidelines is to set a limit for borrowed fund. The limit should be set in absolute amount based on bank's eligible capital (Tier-1 plus Tier-2) capital and considering liquidity needs due to maturity mismatch, borrowing capacity of the bank and historic market liquidity.

1.3.2.1 WB Limit:

WB covers call borrowing, Short Notice Deposit from banks and financial institutions, placement received with maturity less than 12 months, commercial papers/similar instruments and overdrawn Nostro-accounts. The WB Limit should be capped at 80% (for Non PD banks) and 100% (for PD banks) of bank's eligible capital on fortnightly average basis with maximum two deviations (not more than

90% and 110% of the eligible capital for Non PD and PD banks respectively) in a particular fortnight.

As a Primary Dealer Bank, WB Limit for Janata Bank PLC. should be set at 105 % to 110% of bank's eligible capital on fortnightly average basis.

As permitted deviation, Janata Bank PLC.'s WB Limit should be kept 105% of the eligible capital in a particular fortnight. The eligible capital determined under Basel-iii for any quarter will be applicable as eligible capital until it is determined for the next quarter.

In 31/12/2024, total Eligible Capital of Janata Bank PLC. was Tk. 1,292.22 Crore. On the basis of 100% of eligible capital of the bank, the WB limit of Janata Bank PLC. is Tk. 1,292.22 crore which will change as per the changes of eligible capital of the bank. In case of incidental breaches, the approval should be taken from the Management instantly. Moreover, post facto approval must be taken from the board of directors of the bank within 3 months.

1.3.2.2 Scope of WB Limit:

The above limit is considered for banks having conventional business. The details of WB guidelines of Janata Bank PLC. is as follows:

1.3.2.2 (i) Overview of WBG:

Wholesale Borrowing (WB) is the bank's historic market liquidity & borrowing capacity from inter-bank market. It indicates the dependence on wholesale markets for funding. Sometimes bank raise fund from inter-bank market and ALCO analyze and decide of its optimum profitable use.

The bank's capacity to borrow from the external wholesale market depends on:

- The size and turnover of the inter-bank market and market share of the respective bank.
- Counterparty limit imposed by the counter parts for the respective bank.

Moreover, the following factors are also considered for setting the wholesale borrowing guidelines (WBG):

- Balance sheet size of the bank
- Historic trend of market liquidity
- Credit rating of the bank
- Stability of liquidity and interest rates of the market
- Others financial statement analysis

1.3.2.2 (ii) Products:

a) Local Currency: The following products are available in the inter-bank money market-

- Call Money
- Short Notice Deposit from banks and financial institutions
- Term Deposit (Less than 12 months)
- Commercial papers/similar instruments
- Government Securities
- Bangladesh Bank Bill
- Inter-bank Repo & Reverse Repo
- Bangladesh Bank Repo & Reverse Repo

b) Foreign Currency: The Following products are available in the inter-bank FX market-

- Overdrawn Nostro-accounts (Credit Line)
- Depo (overnight deposit, Term deposit, Structured Deposit)
- SWAP
- Spot and Forward
- Overseas Loan

1.3.2.2 (iii) Counterparty for Wholesale Borrowing (WB):

Janata Bank PLC. can borrow both local and foreign currencies from inter-bank local and FX market for prudent management of liquidity. Janata Bank PLC. also ables to get credit, credit line and placement from foreign banks.

1.3.2.2 (iv) Fund Concentration:

a) Institutional Concentration: As a State-Owned Commercial Bank, the main focus of Janata Bank PLC. for borrowing is the peer banks i.e., other State-owned Commercial Banks (SOCBs), Private Commercial Banks (PCBs), Foreign Commercial Banks (FCBs) and Financial Institutions.

b) Geographical Concentration: For local currency, Janata Bank PLC. try to borrow from local commercial banks and financial institutions and for foreign currency it may borrow from foreign banks.

1.3.2.2 (v) Capacity:

The capacity of wholesale borrowing depends on the bank's current financial state and eligible capital.

1.3.2.2 (vi) Roles & Responsibility of WB Manager:

Monitor the liquidity position of Janata Bank PLC. and liquidity management activities undertaken by the bank including wholesale funding activities. Head of Treasury is acting as the WB Manager. The Money Market and FX Market dealers will analyze the liquidity position, historical trend, demand and forecast future trend of the market and report to Head of Treasury. Head of Treasury evaluate the report and make decision for borrowing within the limit.

1.3.2.2 (vii) Risk Involved with WB :

If the banks total lending and investment dominates on total deposit and equity, the bank has to maintain liquidity by borrowing from the inter-bank market. In that case the following risks are involved:

- a) **Liquidity Risk:** Liquidity risk is the risk that a bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or fixed asset to cash without a loss of capital and/or income in the process.
- b) **Market Risk:** Market risk is the risk of losses in positions arising from movements in market prices.
- c) **Maturity Mismatch Risk:** Maturity Mismatch risk arises when there is a mismatch between the maturity of assets and liabilities of the bank.

For the prudent liquidity and treasury management, the WB manager has to follow the WBG strictly. To keep intact the interest of Janata Bank PLC., the WB manager keep touch with the market and take decision promptly as per situation demand.

1.3.3 Commitments:

Commitments include undrawn portions of continuous loan including interest thereon and undrawn portions of term loans, outstanding irrevocable letters of credit and similar instruments, letters of guarantee, acceptances and similar instruments. Counter guarantee provided by foreign banks with BB rating grade 1 or similar awarded by recognised (by BB) international credit rating agencies against any guarantee, FC held against Back-to-Back LC and Margin on LC or guarantee shall be deducted from the total commitment amount.

1.3.3.1 Commitment Limit:

The commitment limit should be fixed considering three important ratios. These are: i) Total Commitments to Total Assets, ii) Total Commitments to Total Eligible Capital and iii) Total commitments to Total High Quality Liquid Assets (HQLA). The highest acceptable limits of these ratios are less than 50%, less than 500% and less than 250% respectively. The commitment limit should be the lowest amount of the three ratios.

As on 31/12/2024 total Assets of Janata Bank PLC. was Tk. 1,47,420.41 Crore, total Eligible Capital was Tk. 1,292.22 Crore and total High Quality Total Asset (HQLA) was Tk. 22,034.64 Crore. As per BB guidelines, currently, the commitment limit of Janata Bank PLC. is Tk. 6,461.10 Crore which will change as per of above three ratios.

1.3.4 Structural Liquidity Profile (SLP):

The Structural Liquidity Profile of the bank provides information regarding maturity transformation of assets and liabilities in a simple manner. The negative liquidity GAP (if exist), derived by considering assets and liabilities both in local and foreign currencies, may be taken as a preliminary signal for the need of maturity adjustment of assets and liabilities in different time buckets. The Maximum Cumulative Outflow ratio may be considered as an important benchmark in this regard **(Appendix: viii)**.

1.3.4.1 Maximum Cumulative Outflow (MCO):

MCO reflects the maximum cumulative outflow against total assets in a maturity bucket. MCO up to one month bucket should not be greater than the sum of daily minimum CRR plus SLR. For example, at the present rate of CRR and SLR, the MCO limit of Janata Bank PLC. is 17.00.% (4.00% CRR+ 13.00% SLR) for conventional banking. Maximum cumulative outflow (MCO) guidelines control the net outflow (inflow from asset maturity minus outflow from liability maturity) over the following periods: overnight, one week and one month. The board should take utmost care in setting these ratios as they have significant impact on bank's business strategy.

If the set limit breaches, Janata Bank PLC. will manage MCO in the following manner:

- Campaign for deposit mobilization;
- Sales of securities;
- Sanction of large loan may be restricted;
- Launch new lucrative deposit products;
- Increasing cash recoveries of bad loans and write off loans.

This liquidity risk measurement system not only helps the bank in managing liquidity in times of crisis but also optimize return through efficient utilization of available funds. Janata Bank PLC. is trying to develop a system that can enable the bank to capture liquidity risk ahead of time, so that appropriate remedial measures could be prompted to avoid any significant losses.

1.3.4.2 Maximum Cumulative Outflow (MCO) Report:

The following sequences of activities are performed to prepare a liquidity GAP report of Janata Bank PLC.:

- Segregate assets and liabilities into different time buckets based on their remaining maturities;
- Place all assets and liabilities in their appropriate time buckets;
- Identify the number of time buckets;
- Subtract maturing liabilities from maturing assets inorder to determine the liquidity GAP, under each bucket;
- Compute the cumulative liquidity GAP.

1.3.4.3 The Equation:

The formula for determining Maximum Cumulative Outflow (MCO) in one-month bucket is-

$$MCO = \frac{\text{Total outflow upto one month} + \text{Total OBS upto one month}}{\text{Total inflows} + \text{Net nostro account balance} + \text{Available foreign currency balance with BB}}$$

Banks should follow the instruction of BB (Dos circular no-02, Dt.: 29/03/2011) regarding preparation of Structural Liquidity Profile (SLP).

For Janata Bank PLC., MCO is supposed to be set up bucket wise to avoid funding mismatch (it may vary according to the volume of asset-liability of a bank) **(Appendix: xi).**

1.3.5 Interest Rate Risk (IRR) Limit:

Interest Rate Risk (IRR) can be defined as decline in earning or in the bank's portfolio value due to interest rate fluctuations. Most of the balance sheet items generate revenues and costs which are indexed to interest rates, but these rates are unstable over time. IRR is treated as the key part of business activity for the bank.

The Board of Directors (BoD) should set a limit on the interest rate risk in the banking book. The limit should be set according to the risk appetite of the bank. The BoDs should also set the Management Action Trigger (MAT) plan to reduce interest rate risk if the situation warrants. Both NII (Net Interest Income) and MVE (Market Value of Equity) Limits and action plan should be set so that management can act promptly. Bank should follow the instruction of Risk Management Guidelines for Banks issued by Bangladesh Bank in 2012.

1.3.6 Swapped Funds Limit:

Swapped fund is the difference between assets and liabilities including capital denominated in the same currency.

Assets and liabilities will not always be in the same currencies. A bank would be exposed to the risk that it may not meet its currency-wise obligations as they fall due. Swapped funds position result from reliance on foreign exchange markets and therefore needs to be controlled.

Swapped funds limits are established on the maximum amount that may be swapped out of foreign currency into local currency and swapped out of local currency into foreign currency.

A limit on the maximum amount (in absolute terms) that can be swapped from foreign currency liabilities in order to fund local currency assets, or, where appropriate, vice versa. The purpose of this measure is to prevent excessive dependence on the continued existence of an orderly foreign exchange market of sufficient depth to meet banks funding needs. Swapped fund limit for Buy-Sell SWAP of the bank has been set up to USD 100.00 million. In stress scenario, Head of Treasury may change the Swapped fund limit with the approval of line management. For Janata Bank PLC., SWAP limit has been shown in **(Appendix v)**.

1.3.7 Liquidity Contingency Funding Plan (CFP):

Janata Bank PLC. has a liquidity contingency funding plan to address unforeseen circumstances in its operations and in the environment. The CFP of Janata Bank PLC. is designed to take care of changes in the balance sheet composition. A liquidity contingency plan needs to be approved by the Board of Directors (BoD). A contingency plan needs to be prepared keeping in mind that enough liquidity is available to meet the funding requirements in liquidity crisis situation. Details Contingency Funding Plan (CFP) is included in Annexure iii.

1.3.8 Regulatory Compliance:

There should be a firm policy on compliance with Bangladesh Bank requirements relevant to ALM, such as CRR and SLR, CRAR, Single Borrower Exposure Limit, etc.

Therefore, as a policy on Regulatory Compliance, Bank Management should review periodically on the ratios of the regulatory requirement (**Appendix xiii**).

PART B: TREASURY OPERATION & ORGANIZATION OF THE ALCO

2.1 Treasury Operation:

The operational risk management framework for treasury activities of JB PLC. includes the following elements:

- A strong governance structure that safeguards the integrity of treasury;
- Comprehensive policies and procedures;
- Effective internal compliance and controls;
- Effective regulatory compliance and controls;
- A reliable Management Information System (MIS) that facilitates the comprehensive monitoring and timely reporting of exposures;
- A robust process for dealing with counterparts;
- Profit maximization through proper liquidity management and investment

2.2 Key Roles and Responsibilities of the Treasury Department:

In accordance with the international standard, best practices and guidelines of Bangladesh Bank for Core Risk Management Policy, JB PLC structured its treasury management operations into four segments as below:

- i) Money Market (MM)
- ii) Foreign Exchange (FX) Market
- iii) Investment Desk
- iv) Asset Liability Management Desk

2.2.1 Activities of Four Segment of Treasury Department:

i. Money Market Activity:

Money Market (MM) Desk of JB PLC is one of the most active and well-organized desk generating handsome revenue for the bank. This desk is playing vital role in treasury department. The main function of MM desk is liquidity management and maintenance of CRR and SLR as per regulatory requirement. Other important function of MM desk is to participate Bangladesh Bank's auctions of Treasury Bills/Bonds. Besides these, it is also engaged in overnight transactions (call money) as well as short term funding like repo, reverse repo, term placement etc. As a member of PDBL, MM Desk also deals with all kinds of Govt. approved securities in primary and secondary market.

ii. Foreign Exchange Market Activity:

The Foreign Exchange Desk of JB PLC plays dynamic and effective role in interbank Foreign Exchange operations like spot, forward, swap, term placement and need based other cross currency deal. It is devoted in buying and selling of various foreign currencies for managing Foreign Exchange exposure and to mitigate risks. It also innovates with need based foreign currency dealing and quoting rates to customers and exchange houses/correspondents. At the same time, as per regulatory requirement Foreign Exchange desk has to maintain the Net Open Position (NOP) limit of foreign currency.

iii. Investment Desk Activity:

Investment desk operates investment in equity, share, commercial paper, bridge financing and subordinate bond. By which investment desk plays a vital role in maximizing the profit of the bank.

iv. Asset Liability Management Activity:

In compliance with Bangladesh Bank Guidelines, the bank has an Asset Liability Management (ALM) Policy. Accordingly, Janata Bank PLC. has a dedicated committee to deal with Asset-Liability Risk Management, called the Asset Liability Committee (ALCO). The ALCO generally meets at least once in every month and reviews liquidity requirement, deposit mix, key liquidity ratios, the maturity profile of assets and liabilities, deposit and loan pricing strategy, sensitivity of assets and liabilities, key management indicators, balance sheet analysis, commodity price and overview of the market as per Bangladesh Bank's Guidelines. The broad responsibilities of the ALM desk are as follows:

- To oversee the growth and sustainability of assets and the liabilities;
- To manage and oversee the overall activities of Financial Market;
- To manage liquidity and market risk of the bank;
- To understand the market dynamics such as competition, potential target markets etc. for expansion of the business;
- To provide inputs regarding market views and to suggest proper balance sheet movement (expand or shrink) to cope with the changing situation in the market or in the economy;
- To arrange and keep records of ALCO meetings;
- To monitor the implementation status of the decision taken in ALCO meetings.

2.3 Segregation of Treasury Function:

Janata Bank PLC. will strictly enforce the segregation of front office risk taking activities from mid office monitoring and back office settlements, as a matter of operational control over the investment of liquid funds.

- **Treasury Front Office:**

As a risk-taking unit, Treasury Front Office both for Money Market and FX Market deals with operational activities, liquidity maintenance and net open position. At the same time, it quotes exchange rate, meets the requirement of all branches and maintains the balance of nostro accounts and Net Open Position (NOP). MM Front Office also maintains the regulatory obligation like Cash Reserve Ratio (CRR), Statutory Reserve Requirement (SLR).

- **Treasury Mid Office:**

Mid Office is mainly for complying regulations, obligations, monitoring and managing risk & report the same to the higher authority of the bank.

- **Treasury Back Office:**

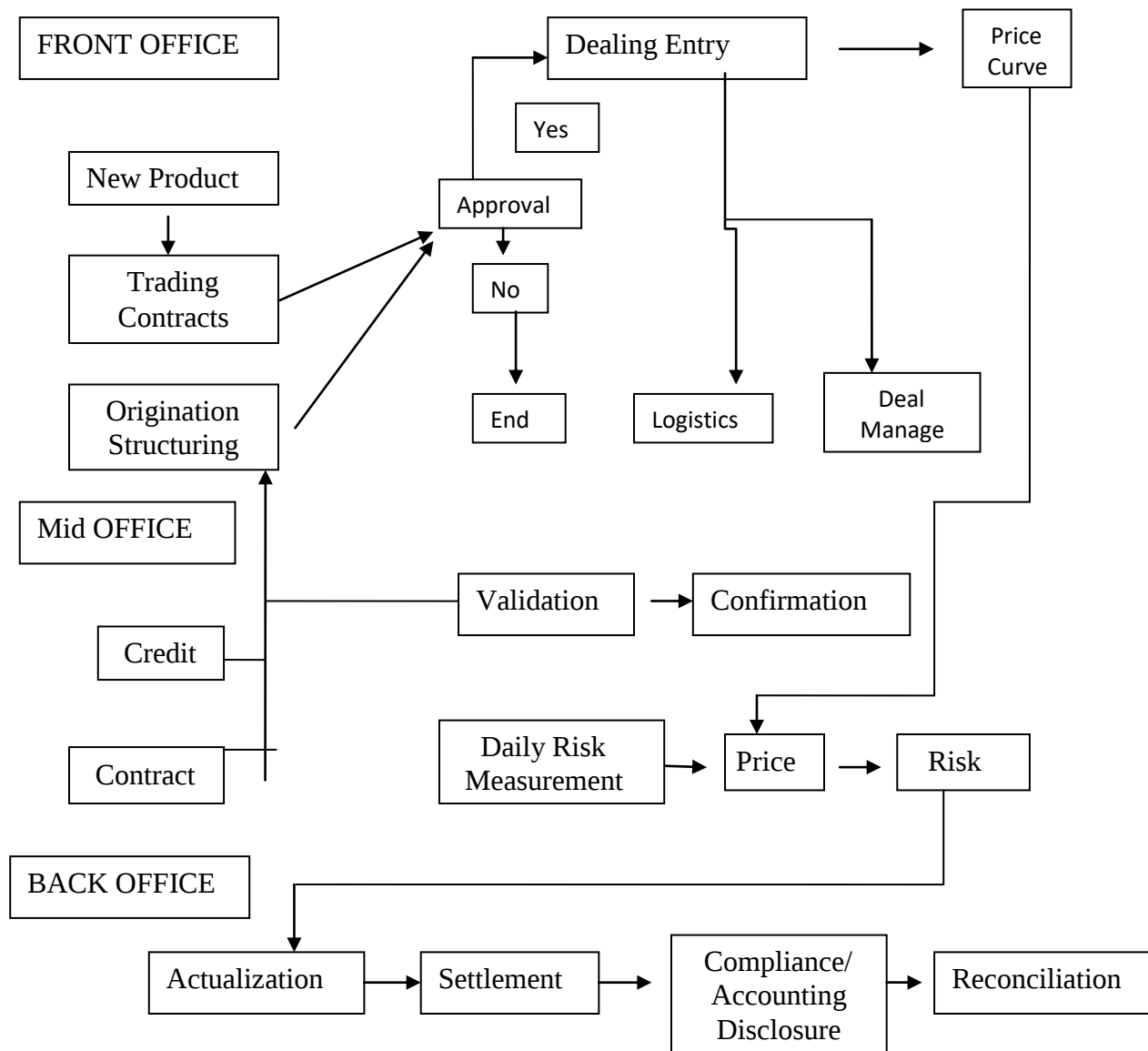
Back Office is for settlement and reconciliation of all deals Nostro and Vostro A/C. It also manages discrepancies, disputes, re-valuations of foreign exchange and reporting to senior management of the bank and regulatory authority.

2.4 Process Flow of Treasury:

A transaction normally starts with a dealer striking a transaction/deal in the market, maintaining his/her own record for monitoring the exchange position. Within a stipulated time, dealer passes the deal slip to Back Office through the Mid Office. The Mid Office first checks the deal slip and transfers the same to the Back Office. The Back Office, after confirming arrangements with the counterparty, will pass the accounting entries/vouchers, make the settlement, reconcile positions and inform the Deputy Head of Treasury (if needed Head of Treasury) of the accurate position

through the Mid Office. The Back Office runs valuations on a periodic basis and checks the day-to-day treasury activities. Finally, Front Office reports the daily transaction details to line management.

The process flow chart within a segregated functional structure is below:



2.5 Clearance Regarding Availability of Funds from the Treasury Department:

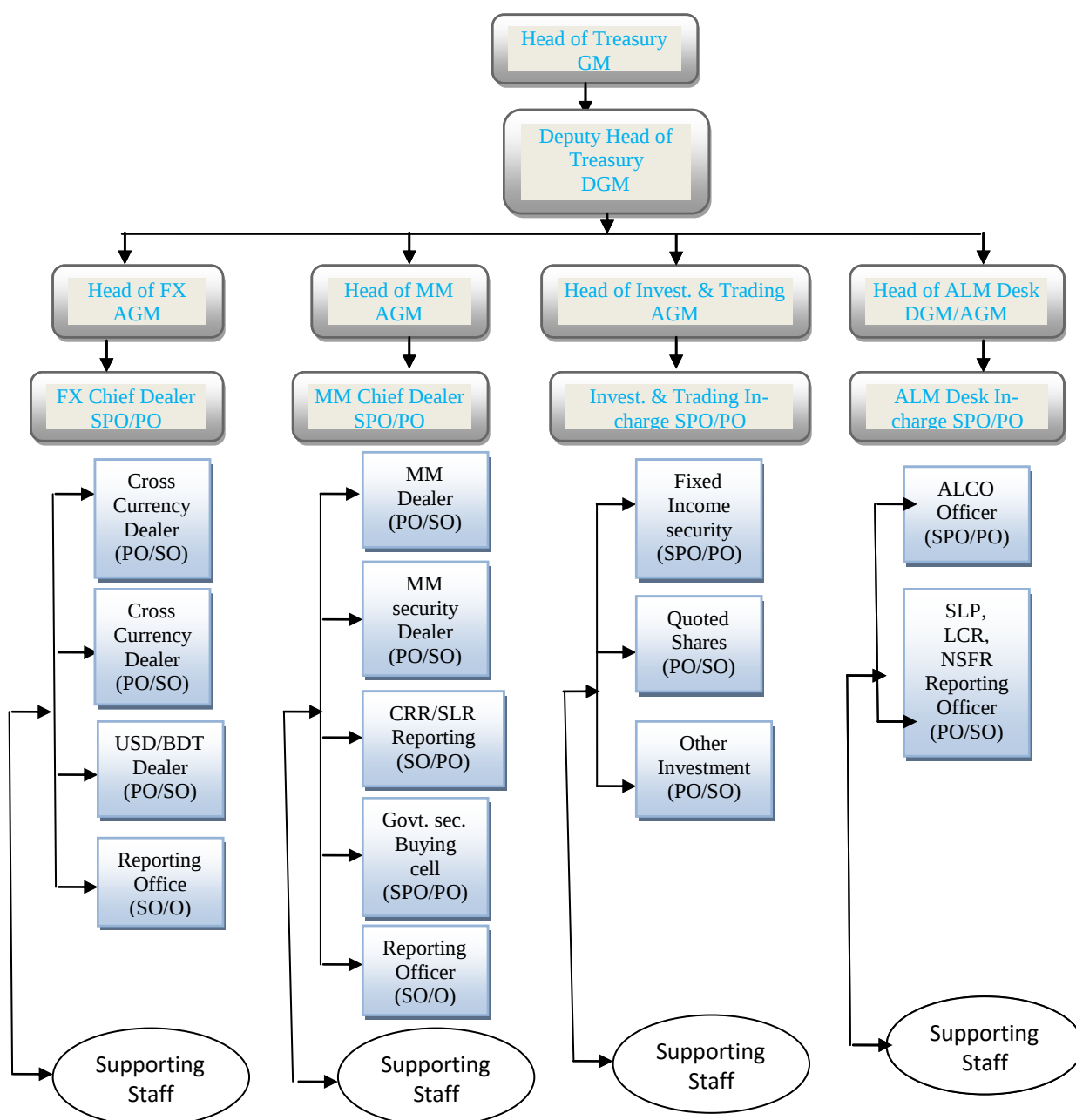
The Treasury Department is dedicated to maintain the liquidity position of JB PLC. Every branches or dept. has to take necessary clearance in black and white from the Treasury Department regarding availability of fund before sanctioning of any new funded or non-funded facility (For Local & Foreign Currency both) and for all kinds of payment & outward remittance to a customer as per following slabs:

Currency	Slab for Permission/ Requisition	Minimum No. of Working Days
BDT	5.00 Crore & above	03 days
USD	0.25 lac & above	03 days
Other FC & ACU\$	0.25 lac & above	03 days

2.6 Head of Treasury: Experience, Responsibilities and Reporting Line:

The Head of Treasury must have at least 10 (ten) years of working experience in the bank and minimum 05 years in different levels of Treasury related departments such as Front office, Mid office or Back office. The Head of Treasury is the member secretary of ALCO. He places the balance sheet analysis, along with recommendations in the ALCO meeting. To avoid any conflict, contradiction and to take swift decision, the head of treasury directly report to the Managing Director of the bank. The Head of Treasury will not in charge of any credit related or others major divisions.

Fig: Organogram of Treasury



2.7 Operational Risk Management

2.7.1 Risk Limits:

JB PLC. set the following limits for front-office dealers and counterparties:

- a) **Dealing Limits:** These refer to trigger points indicating transaction amounts, positions and/or trading volumes for the front-office dealers. If necessary, Head of Treasury may allow the dealers to make need-based deal beyond the limit. The details of dealing limits are discussed in **Annexure-iv**.
- b) **Counterparty Limits:** These refer to the total amount of exposure that JB PLC. prudently maintain with other banks or financial institutions. The processes for setting these limits are discussed in **Annexure-iv**.

2.7.2 Transaction Monitoring and Reporting:

To monitor the transactions, outstanding position and profitability, Treasury Department reports their daily activities to the line management. Through the ALM desk, Treasury also reports its activities accordingly. The ALM Desk maintains updated record of movements in the balance sheet, as these are impacted upon by treasury transactions, and report the same to the ALCO through the Managing Director.

2.7.3 After-Hours Dealing:

After-hours dealing refers to transactions initiated when the dealer's own trading room is scheduled to be closed. Locally, business hours are from 10.00 A.M. to 5:00 P.M and it may changes as per central bank's instruction or as per the requirement of JB PLC.

2.7.4 Off-premises Dealings:

A transaction done by a dealer who is not physically located in the dealing premises (irrespective of the time of day) is referred to as an off- premises deal. This type of deal needs to be treated separately from a deal done within the dealing room, as it utilizes communication tools that are not as special as those of the dealing room. For example, an off-premises deal done on the phone is generally not recorded and thus there is no record in case of any future dispute. The back office is not in a position to take immediate action (confirmation, settlement, etc.) in case of off-premises deals.

2.7.5 Important Note for After Hour & Off -premises Dealing:

The current infrastructure of JB PLC. does not support this kind of activity. Moreover, this sort of dealing contains a high-level risk and should be avoided at all

costs. For this reason, the management of JB PLC. has decided to discourage such activities. If situation arises, after-hours dealings and off-premises dealings may be allowed with the approval of management.

2.8 Mandatory Leave:

Dealing is very sensitive and it involves different types of risk due to adverse or volatile market movements. There is also risk of mistakes not being unearthed. Thus, all dealers are required to be away from their desks by turn at a stretch for some days during a given year. During this period, the dealer's functions are to be run by other dealers and he is not expected to be in contact with his treasury colleagues. This type of leave is called Mandatory Leave. Management has decided to allow a leave period of 15 days in a year for each dealer. Dealers are at liberty to avail of such leave at any time, upon sanctioning by proper authority and adjustment of duty schedules. However, management reserves the right to specify the mandatory leave roster in the interest of ensuring appropriate controls on trading activities.

2.9 Internal Audit:

In view of the complexities of both trading and foreign exchange businesses, internal

audit is a significant activity that serves to review and check the adequacy of the key control issues. This function should include:

- Checking for adherence to the various risk exposure limits;
- Checking for compliance with internal & regulatory requirements;
- Adequacy of statutory management.

For additional safety, a concurrent audit process can be put in place by the Mid and Back Offices to ensure that the day-to-day functioning is conducted in a safe manner. Each segment of Treasury develops and maintains a Departmental Control Function Checklist (DCFCL) as a guide for ensuring that all control activities are being effectively carried out.

2.10 Organization of ALCO:

As per Bangladesh Bank guidelines, Janata Bank PLC. has a dedicated high-level committee to deal with Asset Liability Risk Management, called the Asset-Liability Management Committee (ALCO) comprising of the senior management of the bank to make important decisions related to the Balance Sheet, Liquidity, Interest Rate, Foreign Exchange and Market Risk of the bank.

The Asset-Liability Management Committee (ALCO) guides the ALM process within the parameters set forth by the BoDs. Managing the assets and liabilities to ensure maximum level of structural balance sheet stability and optimum profitability is an important responsibility of the ALCO.

2.10.1 Responsibilities of ALCO:

According to the Risk Management Guidelines issued in February 2012 by Bangladesh Bank, the major responsibilities of ALCO are as follows:

- Ensure that bank's measurement and reporting systems accurately convey the degrees of liquidity and market risk;
- Monitor the structure and composition of bank's assets and liabilities and identify balance sheet management issues that are leading to underperformance;
- Decide on the major aspects of balance sheet structure, such as maturity and currency mix of assets and liabilities, mix of wholesale versus retail funding, deposit mix etc;
- Decide on how to respond to significant, actual and expected increases and decreases in required funding ;
- Review maturity profile and mix of assets and liabilities;
- Articulate interest rate view of the bank and decide on balance sheet strategy;
- Approve and periodically review the transfer pricing policy of the bank;
- Evaluate market risk involved in launching of new products;
- Review deposit-pricing strategy;
- Review liquidity contingency plan for the bank and
- Balance sheet risk management is not limited to collection of data only. ALCO is required to understand the implications of the numbers generated from analysis and formulate appropriate responses and strategies for the bank.

2.10.2 Organizational Structure of ALCO:

The organizational Structure of ALCO of Janata Bank PLC. is shown below:

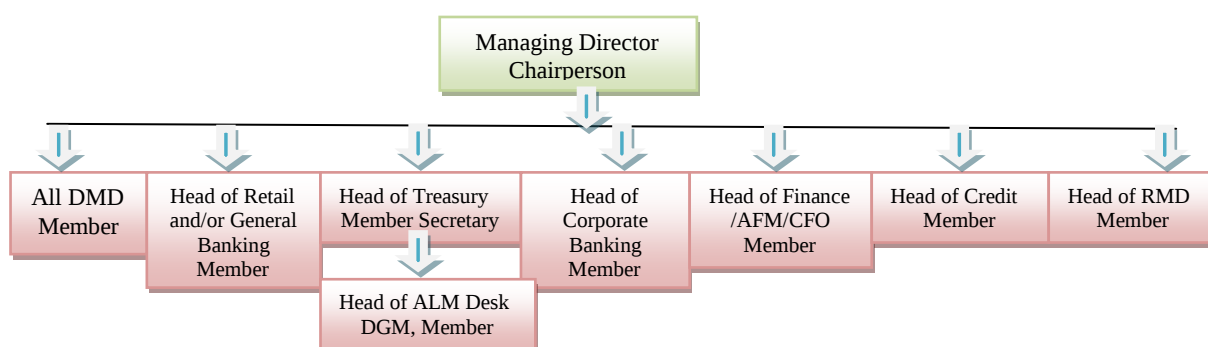


Fig.: Structure of ALCO

PART C: THE ALCO PROCESS

3.1 Constitution of the ALCO:

The Managing Director of the bank is the chairperson of ALCO. Head of Treasury is the member secretary of ALCO. The committee shall be constituted as follows:

- Managing Director
- All Deputy Managing Director
- Head of Retail banking and/or General banking
- Head of Treasury
- Head of Corporate Banking
- Head of Finance/Accounts & Financial Management/ Chief Financial Officer (CFO)
- Head of Credit
- Head of Risk Management (RMD)
- Head of ALM Desk

The head of ALM desk should be a permanent invitee of the ALCO meeting. The Chairperson of ALCO may invite any other related person (maximum-4) in any meeting.

3.1.1 ALCO Meeting:

The ALCO of Janata Bank PLC. generally meets at least once in a month to discuss various aspects of ALM. The presence of all the members or his/her representative (in case of the absence of the member) is mandatory in every meeting.

3.1.2 Key Agenda

The key agenda (includes the operation of OBU) of ALCO meetings should be at least, but not limited to, the following:

- (i) Review of actions taken in previous ALCO and the status of implementation.
- (ii) Review of monthly changes in various key parameters
- (iii) Overall fund position including loanable funds, maintenance of CRR and SLR, LCR and NSFR position, Structural Liquidity Profile, etc.
- (iv) Asset position: - Concentration
- Quality

- (v) Liability position:
 - Deposit mix
 - Market situation
 - Concentration
 - Cost of fund
- (vi) Foreign exchange related asset-liability position:
 - Forward agreement
 - Net Forex liability
 - OBU position: assets and liabilities
 - SWAP position
 - FX Term Placement position
 - Sight L/C
 - Import, Export and Foreign Remittance
- (vii) Economic and Market Status and Outlook.
- (viii) Liquidity Risk related to the Balance Sheet.
- (ix) Review of the price / interest rate structure:
 - Interest rate risk in banking book
 - Interest rate risk in trading book
 - Equity price risk
- (x) Off-balance position:
 - Unused portion of lines of credit (undrawn commitments)
 - Acceptances
 - Guarantees
 - Maturity profile of other L/Cs
- (xi) Capital Market Investment position: Solo and Consolidated basis.
- (xii) Investment in associates
- (xiii) Leverage Ratio
- (xiv) Stress Test, VaR (Value at Risk) analysis, Gap Analysis and others with proper interpretation.
- (xv) Treasury Performance Analysis.
- (xvi) Liquidity Position: - Foreign Currency, Local currency, projected cash inflow & outflow, Balance Sheet Analysis.
- (xvii) Status of Deposit, Recovery, Export, Import, Remittance and Loan& Advances

3.1.3 ALCO Paper:

An ALCO paper of Janata Bank PLC. covering all the above issues must be presented in every meeting of ALCO. The Treasury department will be responsible to present the paper incorporating all necessary information, analysis and

suggestions from the related Departments including its own opinion (if necessary) on the related issues. A separate observation from RMD regarding market and liquidity risk shall also be included in the ALCO paper. The decision taken against each issue should be carefully noted and preserve for a reasonable time (not less than 3 years).

3.1.3.1 Contents of the ALCO Paper:

The following are the key elements that an ALCO paper of Janata Bank PLC. should contain and need ALCO's oversight on.

3.1.3.2 Confirmation of Minutes of last ALCO meeting:

This section contains formal confirmation of the last ALCO meeting minutes.

3.1.3.3 Review of the action items of the previous meetings:

This section contains detailed discussion on the progress on the action item and review deadline if appropriate.

3.1.3.4 Review of Economy and Markets:

This section may start with the review of key global economic developments. Specific reference to countries whose economies have direct bearing on Bangladesh's economy (exports, imports, remittances, etc.) is important.

The section may go on with an update of the local economy and interbank market. On the economy items that may be included are: GDP growth, inflation, credit growth, govt. borrowing, exports, import, remittance, FX Reserves, current account balance. On markets, items that can be included are: movement of interbank market liquidity, call money rates, term money rates, govt. securities yield. Also a comparison of interest rate offered by comparable banks can be important.

The idea of this section is to identify the key elements in the context of Global and local economy and the impact they might/ would likely to have on the business of the bank in Bangladesh. ALCO uses this information for making decisions regarding the bank's business.

3.1.3.5 Review of Balance Sheet and Liquidity Limits:

This section presents the structural balance sheet limits and their utilization - AD ratio, Commitments, LCR, NSFR, Loan and Deposit Concentrations (if applicable), etc. It is

important to observe the last few months' trends to get a better perspective. Items which are not at acceptable levels are reviewed further in details and corrective actions proposed. The section also presents the short term liquidity management limits and their utilization – Wholesale borrowing Limits, VaR, etc. Observation of the last few months trend is important to get a better perspective.

3.1.3.6 Review of the Status of Regulatory Compliance:

This section lists the various regulatory liquidity requirements (CRR, SLR, Capital Adequacy, etc.) and compliance with those. According to BRPD Circular Letter No. 15 dated 26.07.2018, criteria for inclusion of Instruments in Regulatory Capital is as follows:

3.1.3.7 Reserve requirements:

The surplus amount of subordinated debt is to be reckoned as liability for the calculation of net demand and time liabilities for the purpose of determining CRR/SLR. The surplus amount of subordinated debt is the amount that was raised from issuing such bond(s) after deducting the amount bank invested in the similar bond(s) of other banks. If the figure is 'negative' then it will not be considered as net liability for determining CRR/SLR.

3.1.3.8 Top 10 Depositors List:

This section lists the top 10 depositors of Janata Bank PLC. and their share of the total deposits. The data can be looked at currency wise, tenor-wise, and the share of each of the depositors as percentage of total deposits. The trend of the past few months will give important perspective. Maturity bucketing for each of the depositors (call, 1 week, 1 month, etc.) may be helpful. This helps the bank to have a greater visibility on where the deposit concentrations are coming from. It is important to track the behavior of these deposits and take measures so as to avoid any untoward liquidity issues.

3.1.3.9 Top 10 Borrowers List:

This section lists the top 10 borrowers of Janata Bank PLC. and looks using the same set of parameters as for the top 10 depositors.

3.1.3.10 Capital Maintenance:

This section includes details and composition of the capital maintained by the bank in relation to the minimum capital requirement. This can be compared to future expected capital requirement (e.g. due to asset growth forecasted, dividend payout, etc). It is also important to look at the Return on Risk Weighted assets of the bank

– again the trend of the past few months give good perspective – so as to understand how efficiently the bank is deploying its capital.

3.1.3.11 Details of Loans and Deposits Movement:

Segment-wise (retail, corporate, etc.), product-wise (current account, savings, SND, etc.) and currency wise (if of significance) AD ratio movements for the last few periods can be included in this section.

3.1.3.12 Loans and Deposit Projections:

It is important that monthly projections of loans and deposits for the year/ for the next 3-6 months are presented to ALCO by the respective businesses. The information is used by ALCO to understand future liquidity requirements and strategies accordingly.

In this respect, it is also important to review the historical projection accuracy to understand the level of adjustments that can be qualitatively applied to the current projections.

The projections should be given both for FCY and LCY as this is more meaningful. If deemed important, ALCO can also seek segment-wise projections (e.g. retail, corporate, etc.) in addition to total loans deposit projections from the respective department/division/ business.

3.1.3.13 Trend of Lending Rates and Deposit Rates:

This section includes the trend of the lending and deposit rates. Product-wise, segment-wise, and currency-wise breakdown of the rates is important.

3.1.4 Responsibility of Related Departments:

All the departments should be liable to provide necessary information, analysis and suggestions regarding the issues related with them which are stated in key agenda above within a stipulated time to the Treasury Department. The Treasury Department ensures that these are incorporated in the ALCO Paper.

3.2 Major Issues:

Followings are the major issues regarding asset-liability management within the scope of ALM policy of Janata Bank PLC.

3.2.1 Market Risk:

The risk arising from market risk factors such as interest rates, foreign exchange rates, and equity prices and the roles and responsibilities of board and senior management of the bank have been discussed in the Risk Management Guidelines issued on February 2012 by Bangladesh Bank (**Annexure-i**).

The ALCO should work out on various limits [explicitly, maximum allowable funding gap to achieve desired level of NIM (Net interest margin) and NII (Net interest income) maximum trading loss limit by a dealer, daily loss limit in a portfolio (securities and equities), Stop Loss Limit] which must be approved by the board ensure proper and effective implementation of the same.

3.2.2 Liquidity Risk:

Liquidity risk arises from either the bank's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. The Risk Management Guidelines issued on February 2012 by Bangladesh Bank provided a detailed view regarding the roles and responsibilities of board and senior management of the bank as well as liquidity risk detection and mitigation techniques (**see Appendix-vi**). Moreover, LCR and NSFR introduced recently cover a wider aspect of liquidity risk detection and monitoring by the banks under stress situation.

The ALCO should closely monitor the developments around various liquidity issues in each and every meeting. The effectiveness of the CFP should also be verified in the meetings. It is mandatory to inform regarding various liquidity issues like as CRR/SLR, SLP, LCR, NSFR and ADR) in every board meeting (**Annexure ii**).

ANNEXURE: i

MARKET RISK

3.2.1 Market Risk Management

3.2.1.1 Defining Market Risk

It is the risk of potential losses in the on-balance sheet and off-balance sheet positions of a bank, stems from adverse movements in market rates or prices. The most common types of market risk are:

- Interest rate risk
- Equity risk
- Foreign exchange risk
- Commodity risk
- Commodity risk

Janata Bank may be exposed to market risk in variety of ways. Market risk exposure-

- a) may be explicit in portfolios of securities/equities and instruments that are actively traded;
- b) may be implicit such as interest rate risk due to mismatch of assets and liabilities; and
- c) may arise from activities categorized as off-balance sheet items.

The risk arising from market risk factors such as interest rates, foreign exchange rates, and equity prices have been discussed below.

3.2.1.2 Interest Rate Risk

Interest rate risk is the potential impact on a bank's earnings and net asset values due to changes in market interest rates. Interest rate risk arises when a bank's principal and interest cash flows (including final maturities), both on- and off-balance sheet, have mismatched re-pricing dates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. Bank's lending, funding and investment activities give rise to interest rate risk.

Interest rate risk management must be conducted within the context of a comprehensive business plan.

3.2.1.3 Effects of Interest Rate Risk

The immediate impact of a variation in interest rates is on the bank's net interest income, while a long term impact is on the bank's net worth since the economic value of bank's assets, liabilities and off-balance sheet exposures are affected. Consequently, there are two common perspectives for the assessment of interest rate risk.

- a) **Earning perspective:** In the earning perspective, the focus of analysis is the impact of variation in interest rates on accrual or reported earnings. This is a traditional approach to interest rate risk assessment and obtained by measuring the changes in the net interest income (NII), the difference between the total interest income and the total interest expense or net interest margin (NIM) i.e. net interest income to gross interest-earning assets. Variation in earnings is an important focal point for interest rate risk analysis because reduced earnings or outright losses can threaten the financial stability of a bank by undermining its capital adequacy and by reducing market confidence.
- b) **Economic value perspective:** Variations in market interest rates can also affect the economic value of a bank's assets, liabilities, and OBS positions. The economic value of a bank can be viewed as the present value of the bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on OBS positions. In this sense, the economic value perspective reflects one view of the sensitivity of the net worth of the bank to fluctuations in interest rates. Since the economic value perspective considers the potential impact of interest rate changes on the present value of all future cash flows, it provides a more comprehensive view of the potential long-term effects of changes in interest rates than is offered by the earnings perspective.
- c) **Embedded losses:** A bank should also consider that past interest rates may have some impact on future performance. In particular, instruments that are not marked to market may already contain embedded gains or losses due to past rate movements. These gains or losses may be reflected over time in the bank's earnings.

3.2.1.4 Sources of Interest Rate Risks

The sources of interest risk are:

- a. **Re-pricing risk:** This risk arises from the timing differences in the maturity (for fixed-rate) and re-pricing (for floating-rate) of bank assets, liabilities, and OBS positions. For instance, Janata Bank funded in long-term fixed-rate credit with a short-term deposit could face a decline in both the future income arising from the position and its underlying value if interest rates increase. These declines arise because the cash flows on the credit are fixed over its lifetime, while the interest paid on the funding is variable, and increases after the short-term deposit matures.
- b. **Yield curve risk:** Yield curve risk arises when unanticipated shifts of the yield curve have adverse effects on a bank's income or underlying economic value. For instance, the underlying economic value of a long position in 10-year Treasury bond hedged by a short position in 5-year Treasury bond could decline sharply if the yield curve steepens, even if the position is hedged against parallel movements in the yield curve.
- c. **Basis risk:** Basis risk arises from the changing rate relationships among different yield curves effecting bank activities. It arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When interest rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and OBS instruments of similar maturities or re-pricing frequencies.
- d. **Optionality:** An additional and increasingly important source of interest rate risk arises from the options embedded in many bank assets, liabilities, and OBS portfolios. Formally, an option provides the holder the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract. Options may be stand-alone instruments such as exchange-traded options and over-the-counter (OTC) contracts, or they may be embedded within otherwise standard instruments. While banks use exchange traded and OTC options in both trading and non-trading accounts, instruments with embedded options are generally more important in non-trading activities.

Examples of instruments with embedded options include various types of bonds and notes with call or put provisions, credits which give borrowers the right to prepay balances, and various types of non-maturity deposit instruments which give depositors the right to withdraw funds at any time, often without any penalties. If not adequately managed, the asymmetrical payoff characteristics of instruments with optionality features can pose significant risk particularly to those who sell them, since the options held, both explicit and embedded, are generally exercised to the advantage of the holder and the disadvantage of the seller. Moreover, an increasing array of options can involve significant leverage which can magnify the influences (both negative and positive) of option positions on the financial condition of the firm.

3.2.1.4 Sound interest rate risk management practices

Sound interest rate risk management involves the application of following basic elements in the management of assets, liabilities, and OBS instruments:

- a) Appropriate board and senior management oversight;
- b) Adequate risk management policies and procedures;
- c) Appropriate risk measurement, monitoring, and control functions; and
- d) Comprehensive internal controls and independent audits.

As with other risk factor categories, interest rate risk should be monitored on a consolidated, comprehensive basis, to include interest rate exposures in subsidiaries. At the same time, banks should fully recognize any legal distinctions and possible obstacles to cash flow movements among affiliates and adjust their risk management process accordingly. While consolidation may provide a comprehensive measure in respect of interest rate risk, it may also underestimate risk when positions in one affiliate are used to offset positions in another affiliate. This is because a conventional accounting consolidation may allow theoretical offsets between such positions from which a bank may not in practice be able to benefit because of legal or operational constraints. Management should recognize the potential for consolidated measures to understate risks in such circumstances.

3.2.1.5 Measurement of Interest Rate Risk

Managing interest rate risk requires a clear understanding of the amount at risk and the impact of changes in interest rates on this risk position. To make these determinations, sufficient information must be readily available to permit appropriate action to be taken within acceptable, often very short, time periods. The longer it takes a bank to eliminate or reverse an unwanted exposure, the greater the possibility of loss.

Each bank needs to use risk measurement techniques that accurately and frequently measure the impact of potential interest rate changes on the bank. In choosing appropriate rate scenarios to measure the effect of rate changes, the bank should consider the potential volatility of rates and the time period within which the bank could realistically react to close the position.

Ideally, a bank's interest rate risk measurement system would take into account the specific characteristics of each individual interest sensitive position, and would capture in detail the full range of potential movements in interest rates.

Re-pricing schedules and simulation approaches are the commonly used interest rate risk measurement techniques. Each bank should use a combination of these techniques in managing its interest rate risk exposure. Each technique provides a different perspective on interest rate risk, has distinct strengths and weaknesses, and is more effective when used in combination with another.

3.2.1.6 Maturity/Re-pricing Schedules

The simplest techniques for measuring a bank's interest rate risk exposure begin with a maturity/repricing schedule that distributes interest-sensitive assets, liabilities, and OBS positions into a certain number of predefined time bands according to their maturity (if fixed-rate) or time remaining to their next re-pricing (if floating-rate). Those liabilities lacking definitive re-pricing intervals (e.g. sight deposits or savings accounts) are assigned to re-pricing time bands according to the judgment and past experience of the bank.

i) GAP Analysis

Simple maturity/re-pricing schedules can be used to generate simple indicators of the interest rate risk sensitivity of both earnings and economic value to changing interest rates.

When this approach is used to assess the interest rate risk of current earnings, it is typically referred to as gap analysis.

To evaluate earnings exposure, interest rate-sensitive liabilities (ISL) in each time band are subtracted from the corresponding interest rate-sensitive assets (ISA) to produce a re-pricing “gap” for that time band.

A negative or liability-sensitive gap occurs when interest-bearing liabilities exceed interest-earning assets (including OBS positions) in a given time band, that is more interest-bearing liabilities reprice than interest-earning assets. This gap implies that an increase in market interest rates could cause a decline in net interest income. In this situation, a decrease in interest rates should improve the net interest rate spread in the short term, as deposits are rolled over at lower rates before the corresponding assets. An increase in interest rates lowers earnings by narrowing or eliminating the interest spread. Conversely, a positive or asset-sensitive gap occurs when interest-earning assets exceed interest-bearing liabilities (including OBS positions) in a given time band, that is, more interest-earning assets re-prices than interest-bearing liabilities. This gap implies that a decrease in market interest rates could cause a decline in net interest income. In this situation, a decline in interest rates should lower or eliminate the net interest rate spread in the short term, as assets are rolled over at lower rates before the corresponding liabilities. An increase in interest rates should increase the net interest spread. An interest sensitive gap ratio is also a good indicator of bank’s interest rate risk exposure.

Relative Interest Sensitive GAP = Interest Sensitive GAP/Bank’s Total Asset

Also an ISA to ISL ratio of bank for particular time band could be a useful estimation of a bank’s position.

Interest Sensitive Ratio = ISA/ISL

ii) Measuring risk to Net Interest Income (NII)

Gap schedules can provide an estimate of changes in bank’s net interest income given changes in interest rates. The gap for particular time band can be multiplied by a hypothetical change in interest rate to obtain an approximate change in net interest income. The formula to translate gaps into the amount of net interest income at risk, measuring exposure over several periods, is:

$$\Delta NII = \Delta i \times \text{Periodic Gap} \times \text{Maturity Bucket}$$

Where,

ΔNII = Change in net interest income

Δi = Change in interest rate

Periodic Gap = (RSA-RSL)

Maturity Buckets = Call/ 1 day, 2-7 days, 8 days to 1 month, 1-3 months, 3-12 months, 1-5 years and 5⁺ years.

The size of the interest rate movement used in the analysis can be based on a variety of factors, including historical experience, simulation of potential future interest rate movements, and the judgment of bank management.

While such gap measurements apparently seem perfect, practically there are some problems such as interest paid on liabilities of a bank which are generally short term tend to move quickly compared with that being earned on assets many of which are relatively longer term. This problem can be minimized by assigning weights to various ISA and ISL that take into account the tendency of the bank interest rates to vary in speed and magnitude relative to each other and with the up and down business cycle.

The gap reports are important to an interest rate risk management program because they indicate how much net interest income is at risk, and, to some extent, the timing of the risk. However, gap analysis has a number of shortcomings.

- a) Gap analysis provides an objective measure of risk associated with current positions only; it does not incorporate future growth or changes in the mix of business;
- b) Gap analysis does not capture basis risk or investment risk, is generally based on parallel shifts in the yield curve;
- c) Gap analysis does not take account of variation in the characteristics of different positions within a time band;
- d) Gap analysis does not account for the time value of money;
- e) Gap does not take into account any changes in the timing of payments that might occur as a result of changes in the interest rate environment; and
- f) Most gap analyses fail to capture variability in non-interest revenue and expenses, which is potentially an important source of risk to current income.

Accordingly, the use of gap reports should be complemented with present-value sensitivity systems, such as duration analysis or simulation models.

iii) Duration Analysis

Duration is the time-weighted average maturity of the present value of the cash flows from assets, liabilities and off-balance sheet items. It measures the relative sensitivity of the value of these instruments to changing interest rates and therefore reflects how changes in interest rates will affect the bank's economic value or the present value of equity.

In this context, the maturity of an investment is used to provide an indication of interest rate risk. The longer the term to maturity of an investment and the smaller the payments that occurs before maturity, the higher the duration. Higher duration implies that a given change in the level of interest rates will have a larger impact on economic value.

Duration-based weights can be used in combination with a maturity or re-pricing schedule to provide a rough approximation of the change in a bank's economic value that could occur by a particular set of changes in market interest rates.

Properties of Duration

Properties of duration exhibit the following characteristics:

- a) As maturity increases, duration increases and the bond's price becomes more sensitive to interest rate changes;
- b) For two instruments with the same maturity, a high-coupon instrument will have a lower duration than a low-coupon instrument which will be less price-sensitive. A larger portion of a high coupon cash flow will be received sooner and thus the average time to receipt of the cash flows will be less;
- c) A given fixed income instrument will have a higher duration in a low interest rate environment than in a high interest rate environment;
- d) Duration may be positive or negative. A fixed rate instrument would have a positive duration and an increase in interest rates would generally decrease the market value of the instrument. Mortgage servicing rights and interest only (IO) mortgage-backed securities generally have a negative duration since an increase in interest rates would decrease the prepayment speed of the underlying mortgages, increasing the market value of the instruments;
- e) Durations are additive when weighted by the amount of the contract.

Duration of Equity

The duration of equity is derived from the duration of all assets, liabilities, and off-balance sheet contracts.

To understand how the duration of equity measures risk, the economic value of portfolio equity viewed as a net bond position. Assets are analogous to long bond positions with positive durations and liabilities are analogous to short bond positions with negative durations. Duration indicates whether the economic value of the net bond position or portfolio equity will increase or decrease with a change in rates.

Modified Duration

Modified duration is standard duration divided by $1 + r$, where r is the level of current market interest rates. It reflects the percentage changes in the economic value of the instrument for a given percentage change in $1 + r$. As with simple duration, it assumes a linear relationship between percentage changes in value and percentage changes in interest rates.

Effective Duration

Effective duration also called option-adjusted duration further refines the modified duration calculation and is particularly useful when a portfolio contains callable securities. Effective duration is derived by using simulation techniques to calculate the changes in price of an instrument for a given changes in interest rates. Duration incorporates a bond's yield, coupon, final maturity and call features into one number that indicates how pricesensitive a bond or portfolio is to change in interest rates. For assets with variable cash flow, it is appropriate to calculate the effective duration rather than the modified duration.

Duration of Single Instrument

To measure the duration of a single instrument, the bank has to calculate the weighted average of each cash flow at time by the following formula:

$$W_t = CF_t (1+y)^t / \text{Bond price}$$

These weighted averages are then summed to get duration by using the following formula:

$$\text{Duration} = \sum_{t=1}^T t \times W_t$$

Here,

W_t = Weighted average of cash flow at time t

CF_t = Cash flow at time t

Y = Yield to maturity

T = Number of cash flow periods

Duration of a Portfolio of Instruments

The duration of a portfolio of assets or liabilities is the market value of weighted average of the individual duration of each asset or liability on the bank's balance sheet.

The calculation of duration depends on three factors:

- a) The final maturity of the financial instruments
- b) The size and timing of cash flows (coupon payments)
- c) The yield to maturity (YTM)

The duration of a portfolio of assets can be calculated by computing the weighted average maturity of all the cash flows in the portfolio individually. Banks can estimate the duration of a portfolio of contracts by weighting the durations of the individual contracts and summing them.

Measuring Duration Gap

To measure duration gap and the impact of net changes in the market value of equity, a bank should:

- a) Estimate the market value of each on-balance sheet rate sensitive assets and liabilities of the bank to arrive at market value of equity;
- b) Calculate the durations of each asset and liability of the on-balance sheet portfolio arrive at the aggregate weighted average duration of assets and liabilities;
- c) Calculate the duration GAP by subtracting aggregate duration of liabilities from that of assets;
- d) Estimate the changes in the economic value of equity due to change in interest rates on onbalance sheet positions based on the three interest rate changes i.e. 1%, 2%, and 3%;

- e) Calculate surplus/(deficit) on off-balance sheet items under the assumption of three different interest rate changes i.e. 1%, 2%, and 3%; and
- f) Estimate the impact of net change (both for on-balance sheet and off-balance sheet) in the market value of equity.

Formula:

Weighted average duration of Assets, $D_A = \sum_{i=1}^n W_A \times DA$

Weighted average duration of Liabilities, $L_A = \sum_{i=1}^n W_L \times DL$

Duration gap:

$$DGAP = DA - \frac{MVL}{MVA} DL$$

$$\Delta MVE = (-DGAP) \times \frac{Vi}{1+y} \times \frac{MVL}{MVA} \times \text{Total Assets}$$

Where,

y = YTM

Total Assets = Market value of total assets

From historical data of Janata Bank PLC., it is seen that the risk sensitive assets is greater than risk sensitive liability. So, if interest rate increase in 1% both assets and liabilities the income will increase i.e. the equity of the bank will increase .But if interest rate decrease in 1% both assets and liability the income will decrease i.e. the retain earnings of the bank will decrease that will affect the equity of the bank. So the net interest income may be allowed to decrease upto 50.00 crores to safeguard the equity of the bank. If the given limit exceeds then the following measures can be taken :

- a) Taking measures to increase the amount of RA than RL;
- b) Taking measures to decrease the NPLs;
- c) Taking measures to increase the retain earnings;
- d) Taking measures to do the credit rating of the borrower.

It should be mentioned that the bank should take all out effort to keep the minimum capital as per Bangladesh Bank's guideline

Initially the Bank will use the gap analysis method for measuring interest rate risk. However, it will strive to move towards duration analysis for generating the duration of all assets and liabilities.

Duration gap would be used to measure and manage the NII or market value of Bank's equity by recognizing the changes in the market value of the assets and liabilities for a given change in the market interest rate.

iv) Simulation Models

Banks having complex financial instruments or otherwise having complex risk profiles may employ more sophisticated interest rate risk measurement systems.

Simulation models are sophisticated models and a valuable complement to gap and duration analysis. In static simulations, the cash flows arising solely from the bank's current on-balance sheet and off-balance sheet positions are assessed. In a dynamic simulation approach, the simulation builds in more detailed assumptions about the future course of interest rates and expected changes in a bank's business activity over that time. Simulation models are useful tools for strategic planning; they permit banks to effectively integrate risk management and control into the planning process. Their forecasts are based on a number of assumptions including:

- a) future levels and directional changes of interest rates;
- b) the slope of the yield curve and the relationship between the various indices that the bank uses to price credits and deposit;
- c) pricing strategies for assets and liabilities as they mature; and
- d) The growth, volume and mix of future business.

Simulation is usually used to measure interest rate risk by estimating what effect changes in interest rates, business strategies, and other factors will have on net interest income, net income and interest rate risk positions. Simulation models can also be used to calculate the present value and durations of assets and liabilities.

Regardless of the measurement system, the usefulness of each technique depends on the validity of the underlying assumptions and the accuracy of the basic methodologies used to model risk exposure. Further the integrity and timeliness of data relating to current positions is key element of risk measurement system.

While measuring risk in traded portfolios banks should use a valuation approach. They should develop risk measurement models that relate market risk factors to the value of the traded portfolios or the estimated value of non-traded portfolios. The underlying liquidity of markets for traded portfolios and the potential impact of changes in market liquidity should be specifically addressed by market risk measures. There should be separate risk factors corresponding to each of the equity markets in which the bank has positions. The banks measurement of equities risk should include both price movements in the overall equity market (e.g. a market index) and specific sectors of the equity market (for instance, industry sectors or cyclical and non-cyclical sectors), and individual equity issues.

3.2.1.7 Interest Risk Management Program

The significant factors which considered Janata Bank PLC. in managing interest rate risk include the frequency, volatility and direction of rate changes, the slope of the interest rate yield curve, the size of the interest-sensitive position and the basis for re-pricing at rollover dates.

A comprehensive interest rate risk management program requires:

- a) establishing and implementing sound and prudent interest rate risk policies;
- b) developing and implementing appropriate interest rate risk measurement techniques; and
- c) developing and implementing effective interest rate risk management and control procedures.

3.2.1.8 Interest Rate Risk Management Policies

For sound and prudent interest rate risk management, Janata Bank PLC. has established a policy which includes:

- a) An interest rate risk philosophy governing the extent to which the bank is willing to assume interest rate risk; and
- b) Explicit and prudent limits on the bank's rate risk exposure.

a) Interest Rate Risk Philosophy

The capacity of each bank to assume rate risk will vary with the extent of other risks (e.g., liquidity, credit risk, foreign exchange risk, investment risk) and its ability to

absorb potential losses. The objective of interest rate risk management need not necessarily be the complete elimination of exposure to changes in interest rates.

Rather, it should be to manage the impact of interest rate changes within self-imposed limits set after careful consideration of a range of possible interest rate environments.

b) Interest Rate Risk (IRR) Limits

Janata Bank PLC. established an explicit and prudent interest rate risk limit and ensures that the level of interest rate risk exposure does not exceed these limits. Interest rate risk limits has been set within the bank's overall risk profile, which reflects the factors such as its capital adequacy, liquidity, credit quality, investment risk and foreign exchange risk. Interest rate positions are also managed within the bank's ability to offset such positions when necessary.

Interest rate risk limits need to be reassessed on a regular basis to reflect potential changes in interest rate volatility, the institution's overall risk philosophy and risk profile.

Risk limits are usually defined in terms of earnings or in terms of the present value of equity at risk and are normally expressed in terms of the allowable amounts of mismatched positions for specified or cumulative maturity periods.

Earnings are the reported net income before taxes. Changes in interest rates may affect earnings by:

- a) Affecting the interest income or expenses relating to assets, liabilities and off-balance sheet items; and
- b) Affecting the value of fixed-rate assets, liabilities and off-balance sheet items that are carried on a market valuation basis.

Present value of equity is the present value of assets and off-balance sheet items generating cash inflows, less the present value of liabilities and off-balance sheet items generating cash outflows. Changes in interest rates affect the present value of the cash flows from, and the value of these items, and therefore the economic value of shareholders' equity.

Limits may also appropriately be defined in terms of regulatory capital, shareholders' equity and earning assets.

C) Calculation of Interest Rate Risk Limit

As on 31/12/2024, Risk Sensitive Assets (RSA) of Janata Bank PLC. was 1,09,410.90 crore while Risk Sensitive Liabilities (RSL) was 1,22,467.66 crore. Therefore the FGAP is (13,056.76) crore.

The Interest Rate Risk Limit of the bank has been set at Tk (130.57) crore, if the interest rate varies up to 1%. With the changes of Assets & Liabilities of Janata Bank PLC., the Interest Rate Risk Limit will be change accordingly.

3.2.1.9 Interest Rate Risk Management and Control Procedures

Janata Bank PLC. developed and implemented effective and comprehensive procedures and information systems to manage and control interest rate risk in accordance with its interest rate risk policies. These procedures should be appropriate to the size and complexity of the bank's interest rate risk-taking activities.

Internal inspections/audits are a key element in managing and controlling a bank's interest rate risk management program. Each bank should use them to ensure compliance with, and the integrity of, the interest rate risk policies and procedures. Internal inspections/audits should, at a minimum, randomly test all aspects of interest rate risk management activities in order to:

Ensure interest rate risk management policies and procedures are being adhere to;

- a) Ensure effective management controls over interest rate risk positions;
- b) Verify the adequacy and accuracy of management information reports; and
- c) Ensure that personnel involved in interest rate risk management fully understand the bank's interest rate risk policies and risk limits and have the expertise required to make effective decisions consistent with the interest rate risk policies. Assessment of the interest rate risk operations should be presented to the board on regular basis for review.

3.2.1.10 Equity Price Risk

Equity price risk is the risk of losses caused by changes in equity prices. These losses could arise because of changes in the value of listed shares held directly by the bank; changes in the value of listed shares held by a bank subsidiary; changes in the value of listed shares used as collateral for loans from a bank or a bank subsidiary, whether or not the loan was made for the purpose of buying the shares;

and changes in the value of unlisted shares. Equity price risk associated with equities could be systematic or unsystematic. The former refers to sensitivity of portfolio's value to changes in overall level of equity prices, while the later is associated with price volatility that is determined by firm specific characteristics.

The equity risk of Janata Bank PLC. is “one-sided”—equity securities must be held at the lower of cost or market value. If market value drops below cost, banks are required to form loss allowances or “provisions” on the liability side of the balance sheet, by means of an expense on the profit and loss statement. However, if market values rise above cost, there is no corresponding income recorded unless the security is sold. Even though the one-sided risk is purely in an accounting sense, it will have a real implication for banks that fall below required levels of regulatory capital because of declines in the market value of securities they hold. Accordingly, it is vitally important for banks to measure, monitor, and control their equity market risk.

3.2.1.11 Effective Equity Price Risk Management

Janata Bank PLC. has an effective equity risk management system should have the following criteria:

- a) Policies for equity investments should reflect the board's risk appetite, and should provide clear authorities, conservative limits, and assigned responsibilities;
- b) Policies should permit risk-taking authority consistent with the expertise of bank personnel;
- c) Management should have broad capital markets experience and should establish strong policy controls and risk limits;
- d) Policy exceptions should be properly approved. There should be formal procedures to report how and why exceptions have occurred, and how they have been resolved;
- e) Trading and sales personnel should have broad experience in the products traded, technically competent, and comfortable with the bank's culture;
- f) Risk management personnel should have an in-depth understanding of equity market risk and risk management principles, including VaR;

- g) Equity investments in companies that the bank has never before invested in are subject to a formal review program, with all relevant bank units participating in risk assessment and control procedures;
- h) The firms in whose shares the bank or its subsidiary is considering investing is should be analyzed rigorously, and by reviewing as much or even more financial information, as would be reviewed in a credit decision;
- i) Management reports should be prepared independently of the investing and trading function and should provide a comprehensive and accurate summary of investing and trading activity. Reports should assess compliance with policy limits, measure loss potential in both normal and stressed markets and produced in time. Management at all levels should understand and monitor equity market risk;
- j) Incompatible duties should be properly segregated. Risk monitoring, valuation, and control functions should be independent of the trading and investing functions;
- k) The bank should have to conducts stress tests regularly and has a precise understanding and measurement of how much and why profitability, balance sheet capital, and regulatory capital will be affected by major declines in the equity market overall, or in the value of individual shares;
- l) If the bank has a subsidiary that invests in shares directly or lends to customers for the purchase of shares, the bank should closely monitor the financial condition and performance of the subsidiary, and calculate its risk-adjusted return on the invested capital in that subsidiary. The bank should redeploy that capital away from its subsidiary if the risk-adjusted returns are low;
If the bank has shares in unlisted companies, the bank should consider these investments as extremely high-risk, and devote significant staff resources to obtain, verify, and analyze financial information on these companies; and
- m) Given the illiquidity of investments in unlisted companies, the bank should have a detailed exit strategy for disposing of these investments in the event that they no longer fit into the bank's desired business strategy, are prohibited by regulatory requirements, or suffer significant losses in value.

3.2.1.12 Securities Portfolio Management Program

The Sound securities portfolio management of Janata Bank PLC. involves prudently managing the risk/reward relationship and controlling and minimizing securities portfolio risks across a variety of dimensions, such as quality, portfolio concentration/diversification, maturity, volatility, marketability, type of security, and the need to maintain adequate liquidity.

A comprehensive securities portfolio management program requires:

- a) Establishing and implementing sound and prudent policies to effectively manage the securities portfolio, securities activities and position risk;
- b) Developing and implementing effective securities portfolio management processes governing securities investment decision making and authority; and
- c) Developing and implementing comprehensive procedures to effectively monitor and control the nature, characteristics, and quality of the securities portfolio and the extent of position risk assumed.

a) Securities Portfolio Management Policies

Janata Bank PLC. has an effective securities portfolio management program which is clearly defined policies, formally established in writing that set out the securities portfolio management objectives of the bank and the parameters under which securities activities are to be undertaken and controlled.

The bank will establish explicit and prudent securities portfolio management objectives governing:

- i. The extent to which Janata bank PLC. is willing to assume position risk;
- ii. General areas of securities activities in which a bank is prepared to engage or is restricted from engaging, including the bank's policy with respect to acquiring securities of related parties;
- iii. Minimum quality and rate of return expectations for the securities portfolio; and
- iv. Securities portfolio concentration and exposure limits.

b) Securities Portfolio Management Process

To develop and maintain a sound securities portfolio, Janata Bank PLC. has:

- i. An effective formal evaluation process that provides for an objective analysis and assessment of securities investment proposals; and
- ii. Clearly defined, prudent and appropriate levels of delegation of securities transaction approval authority, formally established in writing.

c) Securities Portfolio Monitoring and Control Procedures

Janata Bank PLC. developed and implemented an effective and comprehensive procedures, accounting policies and information systems to monitor and manage the characteristics and quality of its securities portfolio. These procedures should be appropriate to the size and complexity of the bank's securities activities which includes:

- i. Systems to measure and monitor securities positions;
- ii. Controls governing the management of the securities portfolio; and
- iii. Independent inspections or audits.

i) Systems to Measure & Monitor

Managing securities activities requires a clear understanding of the nature and characteristics of the securities portfolio and securities positions. To make these determinations, Janata Bank PLC. ensures that:

- a) Effective information systems are developed and used to appropriately record, regularly monitor and evaluate the securities portfolio;
- b) Effective and appropriate quality and performance criteria are developed and implemented, and that the portfolio is regularly assessed against these criteria; and
- c) Appropriate and conservative accounting policies and procedures are developed, documented and implemented to properly classify and carry securities on the books of account of the bank and recognize income related to such securities.

Regular evaluations of the securities portfolio should be carried out so as to provide an effective means of ensuring that portfolio performance and quality is meeting the bank's securities portfolio management policies and objectives, and that the portfolio is not unduly concentrated by type of security, and by single and associated groups of issuers, particularly issuers connected to the bank.

ii) Securities Portfolio Management Controls

Effective procedures and controls ensure that securities activities are in compliance with the bank's securities portfolio management policies and provide safeguards to protect a bank from potential losses by ensuring that unauthorized exposure does not occur from improper or uncontrolled securities activities.

Although the controls over securities activities will vary among banks depending upon the nature and extent of their activities, the key elements of any securities portfolio management control program are well-defined guidelines governing:

- a) Organizational controls to ensure that there exists a clear and effective segregation of duties between those persons who authorize, initiate or supervise securities activities and those persons who are responsible for operational functions such as the physical custody of securities, or arranging prompt and accurate settlement of securities transactions, or account for securities activities;
- b) Procedural controls to ensure that securities are properly recorded and accounted for by the bank, transactions are settled in a timely and accurate manner and unauthorized securities activities are quickly identified and reported to the management; and
- c) Controls to ensure that securities activities are monitored frequently against the bank's securities portfolio management policies and risk limits, and excesses reported.

Moreover, each bank needs to ensure that employees conducting securities trading activities on behalf of the bank do so with a written code of conduct or guideline governing securities dealing. Such a guideline or code of conduct should provide guidance respecting trading with related parties and transactions in which potential conflicts of interest exist. These should include trading with affiliated entities, personal trading and investment activities of securities portfolio management personnel, including trading on insider information and taking personal gain from one's position, and trading relationships with securities dealers with whom the bank deals.

iii) Independent Inspection/Audit

Janata Bank PLC. has an independent inspections/audits provide an objective assessment of the securities portfolios' existence, quality and value, the integrity of the securities portfolio management process, and they promote the detection of problems relating thereto. Each bank should use them to ensure compliance with, and the integrity of, the securities portfolio management policies and procedures. Independent inspections/audits should, at a minimum, and over a reasonable period of time, test the bank's securities portfolio management activities in order to:

- a) ensure that securities activities are in compliance with the bank's securities portfolio management policies and procedures, and with the laws and regulations to which these activities are subject;
- b) ensure that securities transactions are duly authorized and accurately and completely recorded on the books of the bank;
- c) ensure that recorded securities are conservatively valued on the books of the bank;
- d) confirm that securities held by depositories to the order of the bank conform with the records of the bank;
- e) ensure that management has established suitably designed controls over securities positions and that such controls operate effectively;
- f) ensure the adequacy and accuracy of management information reports regarding the bank's securities portfolio management activities; and
- g) Ensure that personnel involved in securities portfolio management are provided with accurate and complete information on the bank's securities portfolio management policies and risk limits and have the expertise required to make effective decisions consistent with these policies.

3.2.1.13 Securities Portfolio Concentration Limits

Clearly defined and documented securities portfolio concentration limits ensure that the nature and level of a bank's exposure in the form of securities position is appropriately diversified and does not exceed sound and prudent limits.

Securities portfolio concentration occurs when a bank's securities portfolio contains an excessive level of exposure to one type or class of security or a single or group of associated issuers of securities.

At a minimum, securities portfolio diversification policies must place sound and prudent aggregate and individual exposure limits for each type or class of security, and for single issuers and groups of associated issuers in which the bank is permitted to invest. Usually, limits by class of security include limits for how much of the portfolio should be made up of specific types of securities such as equities and the portfolio concentration by industrial sector. Such limits need to be established in the context of the bank's aggregate exposure to a single issuer or group of associated issuers in terms of both securities and credit exposures. The management of such aggregate exposures is usually done at a level senior to securities traders and lending personnel so as to ensure that appropriate "firewalls" are maintained between the securities portfolio and credit risk management areas of the bank. Securities concentrations by single or associated issuer need to be reviewed regularly.

3.2.1.14 Securities Analysis and Assessment

Janata Bank PLC. made decisions to investment securities only after careful examination and consideration of several areas including:

- a) the bank's securities portfolio management policies, and other corporate objectives and policies, such as the nature of the bank's liabilities and the need to maintain adequate liquidity;
- b) potential risks and returns related to a particular security within the overall context of the bank's securities portfolio management policies, the composition of the securities portfolio and the reasonable expectation of a fair return or appreciation given the nature of the security, and the risk of loss or impairment;
- c) current and projected regulatory and economic/financial environment under which securities transactions are made; and
- d) Investment alternatives.

3.2.1.15 Securities Transaction Approval Authorities

Janata Bank PLC. has a clearly defined and appropriate levels of securities transaction authority help ensure that a bank's securities activities are appropriately undertaken and that securities positions do not exceed the limits established under its securities portfolio management policies.

Approval limits may relate to type of security, size, maturity, or other criteria, such as the retention or delegation of voting rights acquired through securities. Authorities may be absolute, incremental or a combination thereof, and may also be individual, pooled, or shared within a committee.

The delegation of authority needs to be clearly documented, and should include as a minimum:

- a) the absolute and/or incremental securities transaction approval being delegated;
- b) the units, individuals, positions or committees to whom securities transaction authority is being delegated;
- c) the ability of recipients to further delegate approval authority; and
- d) the restrictions, if any, placed on the use of delegated authority.

The degree of delegation of securities transaction authority will depend on a number of variables including:

- i. the bank's securities portfolio management objectives and overall risk philosophy;
- ii. the quality of the securities portfolio;
- iii. the ability of the bank to absorb losses;
- iv. the size and types of securities and the complexities of risks being assessed; and
- v. the experience and ability of the individuals responsible for carrying out the securities portfolio management activities.

Assessments of the securities portfolio management activities should be presented to the bank's board on a timely basis for review.

3.2.1.16 Measuring Equity Price Risk

Value at Risk (VaR)

Value at Risk (VaR) is generally accepted and widely used tool for measuring market risk inherent in trading portfolios. VaR summarizes the predicted maximum loss (or worst loss) over a target horizon within a given confidence level.

It is a statistical estimate of expected potential loss that is derived by translating the riskiness of any financial instrument into a common standard. Banks may use a 99% or a 95% confidence level, and each day return on its trading portfolios. That means about once (with 99% confidence) or five (with 95% confidence) in every one hundred days the trading position are expected to lose more than the VaR estimate.

An inherent limitation of VaR is that it gives no information about how much losses could exceed their expected levels.

Generally there are three methods of computing VaR:

- a) Parametric or variance-covariance method
- b) Historical simulation method
- c) Monte Carlo simulation method

Among these methods, the historical simulation method is simple to apply and fairly straightforward to explain. Data sets used for this method are easily available. Therefore, banks are encouraged to calculate VaR for secondary market shares that are held for trading using historical simulation method. However, to calculate the VaR for overall investment portfolio (except credits), banks may use the variance covariance method.

Variance-Covariance Method

The following formula can be used to assess the VaR of a portfolio consisting more than two stocks:

Portfolio VaR= Total Portfolio X SD of Portfolio

Where,

Standard Deviation, $SD = [S_1^2 + S_2^2 + S_3^2 + 2S_1S_2P(1,2) + 2S_1S_3P(1,3) + 2S_2S_3P(2,3)]^{1/2}$

Here,

- S_1 = the standard deviation or volatility of the first asset
- S_2 = the standard deviation or volatility of the second asset
- S_3 = the standard deviation or volatility of the third asset
- P = Correlation

Historical Simulation Method

Let us assume a bank has a portfolio of three stocks of one unit each. To calculate VaR of that portfolio the bank needs to collect the historical market price of each of the stocks in the portfolio for last 100 days. Then, the following formulae are to be applied:

$$a) \quad \text{Weight}_A = \frac{\text{Closing Market Price of Stock}_A}{\text{Closing Market Price of Stock}_A + \text{Closing Market Price of Stock}_B + \text{Closing Market Price of Stock}_C}$$

$$b) \text{ Total weighted return to portfolio market price (\%)} = \frac{\text{Total Weighted return}}{\text{Closing Market Price of Stock}_A + \text{Closing Market Price of Stock}_B + \text{Closing Market Price of Stock}_C} \times 100$$

Then, the 99th percentile will be the VaR at 99% confidence level.

3.2.1.17 Managing Market Risk

Janata Bank PLC. put in place a set of systems and procedures appropriate to its size and complexity of its operations for identifying, measuring monitoring and controlling market risk. The risk appetite in relation to market risk should be assessed keeping in view the capital of the bank as well as exposure to other risks. Once the market risk appetite is determined, the bank should develop a strategy for market risk-taking in order to maximize returns while keeping exposure to market risk at or below the pre-determined level.

3.2.1.18 Stress Testing

The bank's risk measurement system of Janata Bank PLC. supports a meaningful evaluation of the effect of stressful market conditions on the bank. Stress testing should be designed to provide information on the kinds of conditions under which strategies or positions would be most vulnerable, and thus may be tailored to the risk characteristics of the bank. Possible stress scenarios might include:

- a) abrupt changes in the general level of market rates;
- b) changes in the relationships among key market rates (i.e. basis risk);
- c) changes in the slope and the shape of the yield curve (i.e. yield curve risk);
- d) changes in the liquidity of key financial markets or changes in the volatility of market rates; or
- e) conditions under which key business assumptions and parameters break down.

In conducting stress tests, special consideration should be given to instruments or markets where concentrations exist as such positions may be more difficult to liquidate or offset in stressful situations. Banks should consider "worst case" scenarios in addition to more probable events. Management and the board of directors should periodically review both the design and the results of such stress tests, and ensure that appropriate contingency plans are in place.

ANNEXURE: ii

LIQUIDITY RISK MANAGEMENT POLICY

Liquidity

The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold, are known as liquid assets. Liquidity is the availability of funds, or assurance that funds will be available, to honor a cash outflow commitments (both on- and off balance sheet) as they fall due.

Liquidity Risk

Liquidity Risk is defined as a potential loss arising from the Bank's inability to meet its contractual obligations & financial commitments, whenever due.

Kinds of Liquidity Risk

Liquidity risk arises from the potential inability of the bank to meet its financial commitments, whenever due. Liquidity risk broadly comprises three types:

- a. **Funding Risk:** The need to replace net outflows of funds whether due to withdrawal of retail deposits or non-renewal of wholesale funds.
- b. **Time Risk:** The need to compensate for non-receipt of expected inflows of funds, e.g. when a borrower fails to meet his repayment commitments.
- c. **Call Risk:** The need to find fresh funds when contingent liabilities become due. Call risk also includes the need to be able to undertake new transactions when desirable.

Causes of Liquidity Risk :

- a) AD Ratio Above the Threshold
- b) Increasing NPLs
- c) Increasing Cost of Fund
- d) Sluggish/Negative Credit Growth
- e) High Concentration of one/two sectors in Credit Portfolio
- f) Asset-Liability Mismatch (Interest Rate Sensitivity)
- g) Net Cumulative Mismatch in Structural Liquidity Profile

- h) Poor Recovery of NPLs**
- i) Lack of Adequate Data for Analysis**
- j) Remarkable Loss incurred from Equity/Capital Market**
- k) High dependency on Call Money**
- l) Significant Reputational Risk**
- m) Medium Term Funding (MTF) Ratio higher**
- n) Significant Provisional Shortfall**

Liquidity and ALCO:

In addition to establishing strategies and technique for managing liquidity to ensure smooth operation of the bank ALCO's must establish liquidity targets and ALM desk must report the compliance of these targets in a periodic manner.

8.1. LIQUIDITY Management Benchmarks:

Liquidity measurement provides the bank with the toll to gauge the ability to continue the business by ensuring the profitability. While assessing the bank's liquidity position consideration must be given to the following parameters:

- 1) Current liquidity position, maturity profile of assets and the liabilities
- 2) Anticipated loan disbursement
- 3) Anticipated future funding needs (Capital and expenditure - capex and investment profile)
- 4) Options of fund sourcing
- 5) Socio economic perspective of present and the near future
- 6) Regulatory guidelines

Liquid Asset to Total Assets: The bank shall maintain sufficient liquid assets to cover all foreseeable demands for cash and should have sufficient liquid assets. Considering this requirement the bank shall maintain a liquid asset to total assets ratio of 20% to 40%. The ALCO must monitor and report this ratio to the Board of Directors on a monthly basis. The liquidity ratio measures the net cash and short term and marketable assets to net deposits and short term liabilities. The lending policies shall be modified as necessary to achieve this liquidity asset

ratio as quickly as possible. The following two ratios will measure the bank's ability to cope with liquidity situation.

$$\text{Liquid Assets ratio} = \frac{\text{Cash + marketable securities + bank's short term loans}}{\text{Total Assets}}$$

Measuring the proportion of liquid assets to total assets;

If active in the inter-bank market, best to net off bank deposits

$$\text{Liquid Assets Short-term liabilities} = \frac{\text{Liquid assets}}{\text{Short term deposits + bank loans + TDs maturing}}$$

This measures the bank's ability to cope with an outflow of funds

Term Deposit to Total Deposit: The bank shall maintain a term deposit book to total deposit between the range from 40%- 45%. However ALCO may change this ratio depending on socio economic and market conditions as they think fit. It is the responsibility of Senior Management to monitor the bank's Term deposit dependency ratio.

Volatile Liability to Total Assets: Volatile liability is the deposits that bank may be forced to pay within the next six months. This volatile liquidity should be monitored by calculating a ratio in terms of total loans and investments. ALCO may set a limit for the Volatile deposits. This Measures the extent to which risk-assets are financed by unstable funds. The smaller the ratio the better the liquidity management.

$$\text{Volatile liabilities dependency ratio} = \frac{\text{Shortterm liabilities - liquid assets}}{\text{Loans+Investments}}$$

Moreover, the policy guideline for ALCO must be ensured by the bank to avoid the liquidity risk.

8.2. Liquidity Risk Management

The aim of the Bank is to maintain the adequate liquidity required at all times and in all circumstances. The minimum criterion is to meet the commitments as and when they fall due. The possible needs of liquidity shall be measured keeping in view:

- The need to replace the net outflow of funds;
- The need to compensate for the non receipt of expected cash flows;
- The need to meet the contingent liabilities when they become due;
- The need to undertake a new transaction.

The Bank will evolve a system of collecting information pertaining to the flow of funds and the extent of mismatches and to monitor the flow of funds on a dynamic basis over a specified time frame. The possible inflows and outflows of funds from both sides of the balance sheet are to be reasonably estimated by producing a monthly cash flow analysis chart covering:

- Net inflow of deposits, after netting of maturities / premature closure of deposits.
- Net outflow of advances, after netting of expected payments / premature closure of loans
- Net outflow of investments, after netting of maturing investments / disposal of securities.
- Inter-bank obligations / claims.
- Other liquidity options available such as swaps, reverse repos, bills re-discounting etc.

8.3 Estimation of Liquidity Gaps

Estimation of liquidity gaps will be made as under:

call bucket (1 day)
2-7 days
8days -1 month
1 - 3 months
3 - 12 months
1 - 5 years
more than 5 years

For this purpose, the likely repayment of maturing deposits and the expected credit disbursement of above cut-off amount, viz. 10 million and above will be collected. The above statement will be prepared as on each reporting date and placed before the ALCO.

As the most of our branches are out of online, so it is difficult to calculate the liquidity gap using VAR and MAT at present. It is assumed that all the branches will come under online system within one year. So it will be possible to calculate the liquidity gap using VAR and MAT after completion of automation.

8.4 Liquidity Policy

The main objective of Liquidity Policy is to ensure that liquidity positions are sufficient to meet day to day, cyclical and long-term requirements at the lowest possible cost. The approach will be governed by prudence and, in accordance with the applicable laws and regulations, best international practice and the competitive

situation within which Banks operate in the local and international financial markets.

- Factors affecting liquidity risk
 - Over extension of credit
 - High level of NPAs
 - Poor asset quality
 - Mismanagement
 - Non recognition of embedded option risk
 - Reliance on a few wholesale depositors
 - Large undrawn loan commitments
 - Lack of appropriate liquidity policy & contingent plan
- Tackling the liquidity problem
 - A sound liquidity policy
 - Funding strategies
 - Contingency funding strategies
 - Liquidity planning under alternate scenarios
 - Measurement of mismatches through gap statements
- Methodologies for Measurement
 - Liquidity index
 - Peer group comparison
 - Gap between sources and uses
 - Maturity ladder construction

8.5 Liquidity Risk Management Guideline

Liquidity Management benchmarks

Liquid asset to total Assets

Term deposit to total deposit

Volatile Liability to total assets

Advance/Deposits ratio

Medium Term Funding Ratio

Investment Deposit Ratio

Maximum Cumulative Outflow (MCO)

Wholesale Borrowing Guidelines

Commitments:

Swapped Funds Guideline

Borrowed Funds

8.5.1 To avoid the liquidity risk the bank should prepare the following statements:

a) Loanable Fund - A proforma was given by Bangladesh bank for this purpose. It should be prepared weekly basis.

b) Structural Liquidity Profile - A proforma was given by Bangladesh bank for this purpose. It should be prepared monthly basis (**Appendix-viii**).

c) Liquidity Coverage Ratio - Aimed at ensuring that a bank maintains an adequate level of high quality assets that can be converted into cash to meet its liquidity needs for a 30-day horizon under a liquidity stress scenario (**Appendix-vi**).

$$\frac{\text{Stock of high quality liquid assets}}{\text{Net cash outflows over a 30 days time period}} \geq 100\%$$

d) Net Stable Funding Ratio - Aimed at promoting more medium and long term funding of the assets and activities of banking organizations. Minimum acceptable amount of stable funding based on the liquidity of a bank's assets and activities over a 1 year horizon (**Appendix-vii**).

$$\frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} \geq 100\%$$

e) Short Term Dynamic Liquidity Statement.

f) Balance Sheet Gap- Asset Liability mismatch up to 1-month bucket should not exceed 17%, above 1-month to 3 months 15% and above 3-months to 1 year 15% of Balance sheet to avoid funding mismatch (it may vary according to the volume of asset-liability of a bank).

8.5.2 Cash withdrawal from Bangladesh Bank: When the back office of Treasury Department (At present Local Office) requires to withdrawal cash from Bangladesh Bank, it should be informed in written to Treasury Front Office.

Getting approval from the head of the branch (GM/DGM), the back office will issue cheque to withdrawal cash from Bangladesh Bank. After receiving cash from Bangladesh Bank the branch wise cash remittance must be informed to Treasury Department.

8.5.3. Information from the branches: All the branches should be ensured to send authenticated and reliable statement regarding assets inflow, outflow, and maturity of commitment to make the liquidity control system of the bank effective.

8.6. Measurement and Management of Liquidity Risks

The Bank will adopt a cash flow approach for measurement and management of liquidity risk. Under this approach, liquidity is tracked through maturity of assets and liabilities or cash flow mismatches.

The assets and liabilities will be categorized according to their residual maturities and the BB guidelines of time buckets will be considered in distribution of assets and liabilities into various time buckets.

The main objective of the Bank will be to reduce its cumulative negative mismatches or gaps in the first three time buckets (gaps up to 30 days). The bank will adhere that the summation of the first three time buckets should not exceed either the BB guidelines stipulating the negative gaps or 30% of cash out flows in each of these buckets.

With regard to other time buckets, the Endeavour would be to bring them under control within manageable gap limits of around 30-35 %. However, in no buckets over 20 days should negative gap exceed 50% of total cash outflows.

It has been observed that the gaps have been shifting from the lower term buckets to the higher terms bucket (namely 3 months up to 1 year); the Bank would attempt to reduce the mismatches in these buckets through sustained growth in retail deposits having longer maturities and through active finding strategy. Matching the short-term assets and short-term liabilities would avoid liquidity problems. Too much liquidity would also not be desirable as it impairs profitability.

8.7. Liquidity Risk Oriented Ratios:

Ratio name	Standard Limit	Measures Taken when limit breaches (Exit Plan)
Advance to Deposit Ratio	87.00% but considering bank's capital it should not exceed 83%. For Janata Bank PLC. it should be 75-83%. To determine AD Ratio for Janata Bank PLC. Investment Deposit Ratio should be considered.	If the set limit breaches the bank may manage the stressed liquidity in the following manner: a) Taking call money, Repo and Term Deposit from interbank call money market. b) Taking assured Liquidity Support /Repo against Treasury bills or bonds which are excess of SLR. c) Selling share and securities in the secondary market. d) Utilization of surplus Nostro balances.
CRR	According to BB directives	-
SLR	According to BB directives	-
Cash Limit	Cash limit should not exceed the safe limit of the branch.	If exceeds limit cash should be transfer to the feeding branch/Central Bank /Sonali Bank PLC. (agent of BB)

Ratio name	Standard Limit	Measures Taken when limit breaches (Exit Plan)
Wholesale Borrowing	As a Primary Dealer Bank, WB Limit for Janata Bank PLC. should be set at 105% (for PD banks) of bank's eligible capital on fortnightly average basis. If any borrowing is made against securities (Treasury Bill and Treasury Bond) it would be excluded from it.	In case of incidental breaches the approval should be taken from the management instantly. Moreover, post factor approval must be taken from the board of directors of the bank within 3 months.
Maximum Cumulative Outflow (MCO)	a) MCO up to 1-month bucket should not exceed 17% of balance sheet amount. b) MCO above 1-month to 3 months bucket should not exceed 15% of balance sheet amount. c) MCO above 3-months to 1 year bucket should not exceed 15% of balance sheet amount.	If the set limit breaches the bank may manage MCO in the following manner : a) Campaign for deposit mobilization b) Encashment of securities c) Sanction of loan may be restricted.
Counter Party Limit	The counter party limit for the banks may be fixed upto 50% of the borrower's paid up capital subject to the fulfillment of the following conditions : a) Minimum long term credit rating - A (Single A) b) Minimum short term credit rating - ST-3 (satisfactory). The counter party limit for the NBFIs may be fixed upto 50% of the borrower's paid up capital subject to the fulfillment of the following conditions : a) Minimum long term credit rating - AA (double- A) b) Minimum short term credit rating - ST-3 (satisfactory). Money borrowed against securities (Repo) should not be included in the above limit.	Getting instant approval from the management the counter party limit may extended. It should be noted that dealer should keep in mind the safety of the bank.

8.8. Setting Limits

In liquidity management, Treasury of Janata Bank PLC. presents the business plan that include the request for liquidity limits from ALCO for financial approval and ratification by the Board of Directors at least annually which is included in Risk Appetite Statement. Risk limits still remain a key control tool in managing liquidity as they provide:

- There should be a clear and easily understandable liquidity policy to ensure adequate liquidity for the bank. To ensure sufficient liquidity there should be several setting limits for risk managers to top management. Moreover, a good alert system should be introduced to enhance conditions where the liquidity demands may disrupt the normal course of business;
- One of the easiest control frameworks to implement.

ANNEXURE: iii
CONTINGENCY FUNDING PLAN (CFP) FOR JANATA BANK PLC.

Section A

Preamble of Contingency Funding Plan (CFP)

A contingency funding is simply a reserve fund set aside to handle unexpected cash outflows that are outside the range of the usual operating budget. It is imperative for the Bank to maintain an adequate amount of liquid assets as a protection against a possible loss in the event of emergency situation. Financial resources may run dry quickly in adverse scenarios, forcing the Bank to look elsewhere for funding.

A Contingency Funding Plan (CFP) addresses the institution's strategy for handling liquidity crisis. CFP should serve as the blueprint for meeting its funding needs in a timely manner and at a reasonable cost. It describes policies and procedures for managing or making up cash flow shortfalls in stress situations. Having a contingency funding plan can help avoid the need to rely on other entities.

OBJECTIVES

CFP will be for use during a liquidity crisis to enable **JANATA BANK PLC.** to endure adverse situations. It is recognized that a part or all businesses face crises at certain points and it is their response to these adversities that determines their long term success, rather more than their results during normal conditions. Since bank liquidity is very sensitive to negative trends in credit, capital or reputation, spontaneous procedural measures should be readily available in order to address the extraordinary fluctuations in liquidity more effectively and efficiently.

Technically, a CFP is a projection of future cash flows and funding sources of a bank under stressed market scenarios including aggressive asset growth or rapid liability erosion. To be effective and efficient, it is important that a CFP should represent management's best estimate on balance sheet and off balance sheet changes and their related effect. Taking all the measures and drawn procedures, **Janata Bank PLC.'s CFP** can safeguard Depositor's, Creditors and Shareholder's interest.

The main objectives of CFP is to establish a framework for liquidity risk management which ensure that Janata Bank PLC. has sufficient liquidity resources to :

- ❖ Meet its regulatory obligations;
- ❖ Meet the requests of depositor for withdrawal of their funds;
- ❖ Repay loans to creditors in a timely manner;
- ❖ Provide funding to customers who have firm commitments;

- ❖ Maintain liquidity at a prudent manner;
- ❖ Reducing cash-consuming activities as much as possible.

ALM Desk of Treasury anticipates all of the institutional funding and liquidity requirements by:

- ❖ Analyzing and making quantitative projections of all significant on and off balance- sheet;
- ❖ Funds flows and their related effects;
- ❖ Matching potential cash flow sources and uses of funds;
- ❖ Establishing indicators that alert management to a predetermined level of potential risks.

Preparation and Review/Update of CFP:

Preparation and review/update of CFP depend on the scenarios exist in the market. In general, scenarios can be classified into two categories:

- (1) idiosyncratic (bank-specific) and
- (2) systematic (market-wide) liquidity.

Idiosyncratic risk refers to bank specific risk. This may arise out of the following:

- a) a liquidity or funding crisis as a result of our global operations;
- b) a funding crisis may arise as a result of rating downgrades;
- c) poor P&L performance;
- d) market perceptions of a bank's ability to manage its liquidity requirements; leading to an increase in the cost of and reduced access to funding sources, and
- e) taking a wrong dealing position.

Under systematic scenarios, the default occurs in the context of a national or global stress situation. The systematic scenario could typically be defined as the simultaneous unavailability of several markets with widespread concerns about the solvency of financial sector firms and uncertainty about the value of financial assets. It was also often correlated with the national or global performance.

Elements of a typical LCP:

Applying a sources and uses of fund analysis to a business plan or strategy and the development of a Contingency Funding Plan involves the following series of steps:

01. Define and build a base liquidity plan;
02. Stress test the base liquidity plan;
03. Develop and plan the contingency funding plan;
04. Build Monitoring and reporting system;
05. Create an effective policy statement.

Define and build a base liquidity plan: A base liquidity plan is the liquidity component of a business plan strategy and looks at the relationship between funding sources and funding uses-the cash flow. Measurement systems aimed at cash-flow based evaluation of liquidity consider an institution's most recent balance sheet as well as its business plan or strategy. To build up a base liquidity plan, MCO, LCR, NSFR, WB and the liquidity GAP report can play a vital role in this case which has been shown in **(Appendix-vi)**.

Stress Test the Base Liquidity Plan:

STRESS SCENARIO 1: WITHDRAWAL OF CORE DEPOSITS

Core deposits are the deposits made in a bank's natural demographic market. These are commonly used as a measure of a bank's success in attracting funds through traditional banking channels. It consists of the Bank's regular bank customer base. It is also the most stable and least costly source of funding for banks.

With the massive withdrawal of core deposits, financing ability of the Bank will decrease. It may suffer irreparable damage because of serious reputation risk, as well as bank sanctions. This can also impinge on the Bank's image by limiting earnings potential, undermining financial strength or reducing capital base, thus clients will refrain from banking with the Bank.

Triggering Point and Action Plan

As of December 31, 2024, Janata Bank PLC. has Core Deposits (Demand & Savings) of 46,536.89 crore which was 42.38% of Total Deposits. The following are the triggering points and action plan for Stress Scenario 1:

1. If Core Deposits of the Bank Decreased by 10%.

Immediate solutions:

The Bank can also do the following:

- Develop new deposit products;
- Offering high deposit rates to prevent withdrawals;
- Temporarily suspending credit or lending activities;
- Increased services for depositors;
- Use more alternative funds;
- Channeling of Funds to Govt. Securities Investments.

STRESS SCENARIO 2. Less Than 10% Capital Adequacy Ratio (CAR)

Capital Adequacy Ratio is a measure of bank's capital. It is also known as Capital to Risk Weighted Assets Ratio (CRAR). This ratio is used to protect depositors and promote the stability and efficiency of financial systems around the world. Janata Bank PLC. requires having a CAR of at least 10%. Less than 10% CAR means the Bank has a lesser cushion against losses thus making the Bank more prone to bank failure. It also indicates lesser protection for depositors and lesser stability of the Bank. This can increase reputational risk triggering decreases in deposits (Stress Scenario 1) and decreases in loans and loan collections.

Formula for CAR:

Capital Adequacy Ratio (CAR) = (Tier 1 capital + Tier 2 capital) / Risk Weighted Assets

Where:

Tier 1 capital is the core measure of a bank's financial strength. It is composed of core capital, i.e., common stock, retained earnings and non-redeemable non-cumulative preferred stock.

Tier 2 capital, also known as supplementary capital is composed of undisclosed reserves, revaluation reserves, general provisions, hybrid instruments and subordinated term debt.

Risk Weighted Assets (RWA) is a bank's assets or off-balance sheet exposures, weighted according to risk.

Triggering Points and Action Plan

As of December 31, 2024, Janata Bank has CAR of 1.03% (Tier 1 capital = -0.04%, Tier 2 capital = 1.07%). Total Risk weighted assets as on 31 Dec-24 was 11,91,204.31 million. So the minimum capital requirement of JBL as on 31-12-2024 was 1,19,120.43 million, whereas JBL has maintained an amount of 12,229.60 million. The following are the triggering points and action plan for Stress Scenario2:

1. If Risk weighted Assets of Bank increases & CAR decreased for the next twelve month.**Immediate solutions:**

1. Increases recovery of NPL;
2. Increase retained earnings by selling HFT Securities;
3. Raise capital by issuing shares to the Govt;
4. Issue subordinated bond for raising Tier-II Capital.

Develop and Plan the Contingency Funding Plan:**Contingency Funding Plans**

In order to develop comprehensive liquidity risk management framework, banks should have in place plans to address stress scenarios. Such a plan commonly known as Contingency Funding Plan (CFP), is a set of policies and procedures that serves as a blueprint for a bank to meet its funding needs in a timely manner and at a reasonable cost.

A CFP is a projection of future cash flows and funding sources of a bank under market scenarios including aggressive asset growth or rapid liability erosion. To be effective it is important that a CFP should represent management's best estimate of balance sheet changes that may result from a liquidity or credit event. A CFP can provide a useful framework for managing liquidity risk both short term and in the long term. Further it helps ensure that a bank can prudently and efficiently manage routine and extraordinary fluctuations in liquidity.

Use of CFP for Routine Liquidity Management

For day-to-day liquidity risk management integration of liquidity scenario will ensure that the bank is best prepared to respond to an unexpected problem. In this sense, a CFP is an extension of ongoing liquidity management and formalizes the objectives of liquidity management by ensuring:

- a) A reasonable amount of liquid assets are maintained;
- b) Measurement and projection of funding requirements during various scenarios; and
- c) Management of access to funding sources.

Use of CFP for Emergency and Distress Environments

It is not always that a liquidity crisis shows up gradually. In case of a sudden liquidity stress, it is important for a bank to seem organized, candid, and efficient to meet its obligations to the stakeholders. Since such a situation requires a spontaneous action, banks that already have plans to deal with such situation could address the liquidity problem more efficiently and effectively. A CFP can help ensure that bank management and key staffs are ready to respond to such situations. Bank liquidity is very sensitive to negative trends in credit, capital, or reputation. Deterioration in the bank's financial condition (reflected in items such as asset quality indicators, earnings, or capital), management composition, or other relevant issues may result in reduced access to funding.

Scope of CFP

The sophistication of a CFP depends upon the size, nature, and complexity of business, risk exposure, and organizational structure. To begin, the CFP should anticipate all of the bank's funding and liquidity needs by:

- a) Analyzing and making quantitative projections of all significant on- and off balance- sheet;
- b) Funds flows and their related effects;
- c) Matching potential cash flow sources and uses of funds; and
- d) Establishing indicators that alert management to a predetermined level of potential risks.

The CFP should project on the bank's funding position during both temporary and long-term liquidity changes, including those caused by liability erosion. The CFP should explicitly identify, quantify, and rank all sources of funding by preference, such as:

- i. Reducing assets;
- ii. Modification or increasing liability structure;
- iii. Using other alternatives for controlling balance sheet changes.

The CFP should include asset side as well as liability side strategies to deal with liquidity crises. The asset side strategy may include; whether to liquidate surplus money market assets, when to sell liquid or longer-term assets, etc. While liability side strategies specify policies such as pricing policy for funding, the dealer who could assist at the time of liquidity crisis, policy for early redemption request by retail customers, use of BB discount window etc. A CFP also chalks out roles and responsibilities of various individuals at the time of liquidity crises and the management information system between management, ALCO, traders, and others.

Build Monitoring and Reporting System:

Senior management and the board, or a committee thereof, should receive reports on the level and trend of the bank's liquidity risk at least quarterly. From these reports, senior management and the board should learn how much liquidity risk the bank is assuming, whether management is complying with risk limits, and whether management's strategies are consistent with the board's expressed risk appetite. The sophistication or detail of the reports should be commensurate with the complexity of the bank.

Create an Effective Policy Statement:

Policy statement clarifies acceptable and unacceptable activities, risk levels and other actions. These statements are made by the Board of Directors as guideline for

Management to follow in the day-to-day operation of the institution. Policy statements outline the specific limits and actions allowed/disallowed and discuss how the limits will be tracked, reviewed, validated and updated. In case of Janata Bank PLC., a detailed policy statement has been prepared in this Guideline.

CONTINGENCY MANAGEMENT TEAM (CMT):

Bank should have a specific contingency management team consisting of ALCO members.

The MD/CEO may include any other relevant personnel as deemed appropriate.

The ALCO is reconstituted into a Funding Crisis Committee and comprises the following members:

1. Contingency Management Team (CMT)

- Managing Director- Chairman
- Deputy Managing Director-1-Member
- Deputy Managing Director- 2-Member
- Deputy Managing Director-3-Member
- Deputy Managing Director-4-Member
- Chief Financial Officer -Member
- General Manager, Treasury Division- Member Secretary
- General Manager, Credit Division-Member
- General Manager, Risk Management Division- Member
- General Manager, Common Service Division-Member
- General Manager, Business Development & Marketing Division-Member
- Deputy General Manager, Treasury Department-ALM Desk

Any funding difficulties will be examined by the Committee and, depending on the severity of the circumstances, the following courses of action must be considered:

- Advise all local management
- Extend liability maturities where possible
- Adjust borrowing guidelines
- Contact/assure large depositors
- Attempt to reinstate Bank's name in the market
- Contact BB
- Realise/repo liquid assets
- Prepare a corporate statement for distribution
- Curtail uncommitted advances/loans
- Limit asset growth
- Sell part of portfolio, e.g. loan book/staff mortgages

SECTION B

Section B deals with the Contingency Action Plan to manage stressed liquidity.

CONTINGENCY ACTION PLAN TO MANAGE STRESSED LIQUIDITY

Scope

To establish an action plan to manage a stressed liquidity situation created by reputational problems in the market.

Stressed liquidity is defined as a condition that arises from a sudden deterioration of the perceived safety and credibility of the Bank, resulting in substantial withdrawal of funds by depositors.

Purpose of the Plan

To provide a framework within which an effective response to a liquidity crisis can be managed.

Trigger Points

Plan to be activated when two or more of the following conditions exist:

1. The Bank is between 75% and 100% of the market shortages for seven successive days;
2. The BB cash reserve ratio has been breached by more than 50% for three successive days;
3. The Bank is unable to square off a deteriorating position on the market;
4. A branch or a unit experiences large and unusual withdrawals that are out of line with normal requirements. In such cases it is important to identify reasons for withdrawals i.e. - is it a pricing or a reputational issue.

PHASE 1 – IMPENDING CRISIS

Phase 1 – Team

2. Contingency Management Team (CMT)

- Managing Director- Chairman
- Deputy Managing Director-1-Member
- Deputy Managing Director- 2-Member
- Deputy Managing Director-3-Member
- Deputy Managing Director-4-Member
- Chief Financial Officer -Member
- General Manager, Treasury Division-Member Secretary
- General Manager, Credit Division-Member
- General Manager, Risk Management Division- Member
- General Manager, Common Service Division-Member
- General Manager, Business Development & Marketing Division-Member
- Deputy General Manager, Treasury Department-ALM Desk

	Action Points	Responsibility
1.1	Investigate the underlying cause of the crisis to establish: The timing of the crisis The duration of the crisis What remedial action to avoid the crisis	
	Agree any external/internal communications Statement, etc	GM TD
1.2	Advise all Divisional Heads of the crisis and cancel leave commitments of key personnel	GM TD
1.3	Review liquid and market assets portfolio by maturity and prepare a liquidation strategy	GM TD
1.4	Brief Dealers on responses to market enquiries	GM TD
1.5	Liquidate any long forex positions and switch to local currency position	GM TD
1.6	Maintain presence in the inter-bank market by borrowing longer and shortening lending to overnight/overdraft	GM TD Chief Dealer
1.7	Organise the Funding Crisis Committee to Meet as frequently as the crisis dictates.	G.M. TD

PHASE 2 – CRISIS SITUATION

Phase 2 – Team

3. Contingency Management Team (CMT)

- Managing Director- Chairman
- Deputy Managing Director-1-Member
- Deputy Managing Director- 2-Member
- Deputy Managing Director-3-Member
- Deputy Managing Director-4-Member
- Chief Financial Officer -Member
- General Manager, Treasury Division-Member Secretary
- General Manager, Credit Division-Member
- General Manager, Risk Management Division- Member
- General Manager, Common Service Division-Member
- General Manager, Business Development & Marketing Division-Member
- Deputy General Manager, Treasury Department-ALM Desk

	Action Points	Responsibility
2.1	Communication	Managing Director
2.1.1	Convene Emergency ALCO meeting to review the crisis, agree content of any external/internal messages and delegate tasks	Managing Director
2.1.2	Inform BB of crisis and proposed remedial action if deemed necessary	Managing Director GM Treasury

2.1.3	Brief Dealers	GM Treasury
2.1.4	Brief Corporate and Branch Managers	GM Treasury
2.2	Assessment and Action	Managing Director
2.2.1	Confirm the liquid and market asset portfolio for initial selective liquidation.	GM Treasury
2.2.2	Assess the level of inter-bank borrowing capacity and raise funds to meet liquidity from the most reliable sources.	GM Treasury
2.2.3	Take full advantage of any FX long position, and switch to LCY position, taking into consideration the state of the local forex market and limit constraints.	GM Treasury
2.2.4	Assess exposures to other financial institutions/ Reassure them to avoid run of their deposits. Avoid/manage being arbitrated by these Institutions.	GM Treasury GM Credit
2.2.5	Borrow from BB as a lender of last resort. Consider taking maximum period possible. Avoid maximum penal rates.	GM Treasury
2.2.6	Monitor closely withdrawal patterns, under report to Head of Treasury	GM Treasury
2.2.7	Do not approve early redemption of time Deposits without specific approval of the Managing Director.	GM Treasury
2.2.8	Assess overdraft and loan demand and resist any requests for excesses.	GM Credit
2.2.9	Assess overall Advances portfolio and activate plans to contract/recall/seek early repayment from customers.	GM Credit
2.2.10	Assess all commitments that have been drawn and require approval of Managing Director, Head of Risk , Head Corporate ,Head Retail Banking and Head Credit Risk.	GM Credit
2.2.11	Assess accounts payable and ensure that payments are spread evenly over several days.	CFO
2.2.12	Establish the level of cash requirements of Branches and manage cash levels to complement the stress conditions. Consider maximum cash withdrawals for customers.	GM Treasury CFO Officer

CRITICAL CONTACT INFORMATION

Contact	Work Telephone	Home Tel/Mobile
4. Contingency Management Team(CMT) ▪ Managing Director- Chairman ▪ Deputy Managing Director-1-Member ▪ Deputy Managing Director- 2-Member ▪ Deputy Managing Director-3-Member ▪ Deputy Managing Director-4-Member ▪ Chief Financial Officer -Member ▪ General Manager, Treasury Division- Member Secretary ▪ General Manager, Credit Division-Member ▪ General Manager, Risk Management Division- Member ▪ General Manager, Common Service Division-Member ▪ General Manager, Business Development & Marketing Division-Member ▪ Deputy General Manager, Treasury Department-ALM Desk		
5. Bangladesh Bank - Governor -Deputy Governor		

JANATA BANK PLC.

CONTINGENCY ACTION PLAN TO MANAGE STRESSED LIQUIDITY

Government and/or Central Bank Statutory Holdings / Liquidity Requirements

Regulation	Parameter/Formula	Liquidity Sources/Comprising
Cash Reserve Ratio (CRR)	❖ Daily Minimum 3.00% ❖ Bi-Weekly Minimum 4.00%	Lcy cash at Central Bank
Statutory Liquidity Ratio (SLR)	❖ 13% of Time and Demand Liabilities	• Treasury Bills • Treasury Bonds • Cash in Tills • FCY Balance with Central Bank • LCY Balance with Central Bank (Excess CRR) • Others Govt. approved Securities

Money Market Instruments Comprising Marketable Securities and Reserve Liquidity

Instrument	Features/Restrictions	Included in Marketable Or Reserve
Call Money	Over Night	
Reverse Repo with Interbank	1 day to 7 days	
Assured Liquidity Support from BB	1day	
Bangladesh Bank Bills	Issued by Central Bank daily auction at discount. Tenors are 7, 14, 30 days.	
Treasury Bills	Issued by Central Bank weekly auction at discount. Tenors are 91, 182, 364 days.	Held to Maturity(HTM)-R Held tor Trade(HFT)-M
Treasury Bonds	Issued by Central Bank weekly auction at par. Tenors are 2, 3, 5, 10, 15 and 20 years.	Held to Maturity(HTM)-R Held tor Trade(HFT)-M
Reverse Repo with BB	1 day	
Repo with BB	1 day, 7 Day and 14 Day	
Special Repo with BB	1 day	
Term Deposit	3 months to 1year	
Assets (T.Bill/Bond) Sale	Held for Trading	Held to Maturity(HTM)-R Held tor Trade(HFT)-M
Foreign Currency Sale (Outrights)	Excess over NOP	
Foreign Currency Sale (Buy /Sale Swaps)	To manage liquidity both Lcy and Fcy	

JANATA BANK PLC.
CONTINGENCY ACTION PLAN TO MANAGE STRESSED LIQUIDITY

CONTINGENCY FUNDING PLAN

Local Book

Money Market

- Call Money
- Inter Bank Repo/Reverse Repo
- Term Deposit

Central Bank (Marketable Securities and Reserve Portfolio)

- Assured Liquidity Support /Repo of Treasury bills or Bonds
- Special Repo
- Encashment of surplus balance with Central Bank

Other

- Cash in hand

FCY Book

Forex Market

- Term Deposit
- SWAP
- Utilisation of surplus Nostro balances

Central Bank

- Overdraft (OD) facilities

JANATA BANK PLC.
CONTINGENCY ACTION PLAN TO MANAGE STRESSED LIQUIDITY

QUANTIFICATION OF AMOUNT OF CONTINGENCY FUNDS - LOCAL CURRENCY

Due to stressed situation if deposit decreased by 10.00 % of an amount of 10,980.90 crore BDT and loan & advance increases by 10.00% as per MOU of annual growth rate an amount of 10,079.42 crore BDT. Then the bank has to manage an additional fund of 1,866.75 million BDT.

BDT IN Crore		
Sources of contingency funds During stressed liquidity	Estimated Maximum Available Funds (Hypothetical)	Remarks/Funding Cost of Janata Bank PLC.
Money Market ☞ Term Deposit ☞ Call Money ☞ Inter bank Repo/Reverse Repo	1,000.00 1,500.00 2,000.00	At higher cost
<i>Central Bank (Marketable Securities and Reserve Portfolio)</i> ☞ Assured Liquidity Support /Repo facility for Treasury Bills/Bonds ☞ Rediscounting window ☞ Short term Asset (T Bill, BB Bill, T. Bond) Sale/Matured	5,000.00 80.00 1,480.90	Borrowing from BB Lien against BB Balance Sale of asset might incur loss
Other ☞ Lcy Cash in hand	80.00	

JANATA BANK PLC.

CONTINGENCY ACTION PLAN TO MANAGE STRESSED LIQUIDITY

**QUANTIFICATION OF AMOUNT OF CONTINGENCY FUNDS FOREIGN
CURRENCY**

Sources of contingency funds during stressed liquidity	Formula/Parameters For basis of calculation	Estimated Maximum Available Funds	Remarks/Funding Cost of Janata Bank PLC.
Foreign Currency loan	Libor +1 bps	 million USD	Borrow high cost Fc for funding of import loan.
Inward Foreign Remittance	Increase Rate by 2 bps from market	 million USD	
Dollar Deposit		 million USD	

Annexure-iv

1 Methodology for Setting Limit:

1.1 Methodology for Setting Counterparty Limit:

The issue of counterparty limits arises from the risk that a counterparty with whom the Bank has a reciprocal agreement is unable to perform its obligations in a financial transaction. Janata Bank PLC. has an appropriate counterparty limits in place for its treasury operation.

The limit structure depends on credit risk appetite based on credit risk policies as well as target market criteria. Credit risk limits set by the credit risk approving unit such as BoD. However, these may be altered according to changing circumstances revealed either in periodic reviews or real-time credit or market risk assessments.

1.2 Procedures and Limits:

Janata Bank PLC. already established appropriate procedures, processes and limits to implement their liquidity policies. The procedural manual explicitly narrates the necessary operational steps and processes to execute the relevant liquidity risk controls.

1.2.1 Limits for Local Currency Dealing:

In order to determine the counterparty limit for each financial institution, a systematic appraisal shall be undertaken in a manner as to determine the quality of counterparties and the corresponding prudential exposure limit and pricing/terms. JB PLC. has already formulated a separate 1 Counter Party Limit Policy for banks and NBFIs. In addition to that the following process is being followed by JB PLC. to set up Counter Party Limit Policy for banks and NBFIs.

1.2.1.1 Counter Party Limit For Banks:

Particulars	Score	Break up of Score
Capital Adequacy Ratio	20	≥12.50-20; ≥12-19; ≥11.25-18; ≥11-15; ≥10-12; ≥8-8; <8-0
Liquidity Coverage Ratio	10	≥200-10; ≥180-8; ≥150-6; ≥120-5; ≥100-2; <100-0
Advance Deposit Ratio	10	<60-8; 60 to 64.99-9; 65 to 69.99-10; 70 to 74.99-9; 75 to 79.99-8; 80 to 84.99-6; 85 to 89.99-5; 90 to 95-3; >95-0
Cost of Fund	10	<5-10; 5 to 5.99-8; 6 to 7.99-6; 8 to 9.99-4; 10 to 12-2; >12-0
Return on Equity	10	≥10-10; ≥8-8; ≥5-5; <5-0
Earnings per Share	5	>100-5; 80 to 100-4; 60 to 79.99-3; 30 to 59.99-2; 1 to 29.99-1; <1-0
Classified Loan	15	0-15; 1 to 4.99-12; 5 to 9.99-10; 10 to 14.99-8; 15 to 19.99-5; 20 to 29.99-2; >30-0
Credit Rating	5	Excellent-5; Good-4; Fair-3; Poor-1; Bad-0
Year of Incorporation	5	1971 to 1990,5; 1991 to 2000,4; 2001 to 2010,3; >2010,2
Qualitative Judgment*	10	Score to be distributed on the basis of market reputation and present exposure
Total Score	100	

Limit will be set on the basis of following criteria:

Sl. No.	Score	Limit (Tk. Crore)
01	80-100	300.00
02	75-79	250.00
03	70-74	200.00
04	65-69	180.00
05	60-64	150.00
06	55-59	120.00
07	50-54	100.00
08	45-49	80.00
09	40-44	50.00
10	Below 40	0.00

** For state owned commercial bank i.e., Sonali Bank PLC. and Agrani Bank PLC. the limit will be TK 500.00 crore. For Rupali Bank PLC the limit will be TK 300.00 crore.

** For newly approved Banks for first year, counter party limit may be set on the basis of their paid up capital.

1.2.1.2 Counter Party Limit For NBFIs:

Particulars	Score	Break up of Score
Equity (Tk. in Crore)	25	≥200-25; ≥180-22; ≥160-20; ≥150-18; ≥130-15; ≥120-12; ≥110-10; ≥100-8; <100-0
Capital Adequacy Ratio	10	≥12-10; ≥11-9; ≥10-8; ≥9-6; ≥8-5; <8-0
Net Profit to Operating Revenue	10	≥40-10; ≥30-8; ≥20-5; ≥10-3; ≥5-2; <5-0
Return on Equity	10	≥30-10; ≥20-8; ≥10-6; ≥8-4; ≥7-2; ≥5-1; <5-0
Return on Assets	5	≥10-5; ≥7-4; ≥5-3; ≥3-2; ≥1-1; <1-0
Earnings per Share	5	≥100-10; 80 to 99.99-8; 60 to 79.99-6; 40 to 59.99-5; 30 to 39.99 -4; 20 to 29.99-3; 1 to 19.99-1; <1-0
Classified Loan	20	0-20; 1 to 4.99-18; 5 to 9.99-15; 10 to 14.99-10; 15 to19.99-5; 20 to 30-2; >30-0
Qualitative Judgment*	10	Score to be distributed on the basis of market reputation and present exposure
Total Score	100	

Limit will be set on the basis of following criteria:

Sl. No.	Score	Limit (Tk. Crore)
01	80-100	150.00
02	75-79	120.00
03	70-74	100.00
04	65-69	80.00
05	60-64	70.00
06	55-59	60.00
07	50-54	50.00
08	45-49	40.00
09	40-44	30.00
10	35-39	20.00
11	Below 35	0.00

1.2.2 Limit For Foreign Exchange Dealing:

There is a separate foreign exchange dealing guidelines for Fx. Dealing Room.

Annexure-v

1.1 Interest Rate Policy:

1.1.1 Overview of Interest Rate Policy

The bank earns a spread on the money it lends out from the money it takes in as a deposit. The Net Interest Margin (NIM), which represents this spread that is simply the difference between what it earns on loans versus what it pays out as interest on deposits.

The overview of how Janata Bank PLC. determines the interest rate is as below:

Janata Bank PLC. generally free to determine the interest rate they will pay for deposits and charge for loans. But Janata Bank PLC. has to face the competition into account as well as the market levels for numerous interest rates in compliance with Bangladesh Bank policies. Bangladesh Bank influences interest rates by setting certain rates, stipulating bank reserve requirements and buying and selling “risk-free” Bangladesh Government Treasury Bills, Bonds to affect the deposits that banks hold at the central bank. This is referred to as monetary policy and is intended to influence economic activity as well as the health and safety of the overall banking system.

Bangladesh Bank uses to influence monetary policy by setting the Repo & Reverse-Repo rates which is simply the rate at which banks can borrow and lend with Bangladesh Bank. Many other interest rates including the Dhaka Interbank Offer Rate (DIBOR), 91 days BCR (Bangladesh Compounded Rate), 182 days Treasury Bills rate which is a indicative rate that banks use for the ideal customer with a solid credit rating and payment history. Other considerations that Janata Bank PLC. take into account are expectations for inflation levels, stock market levels and the demand and velocity of money in local and global market.

The related other factors that Janata Bank PLC. considered for determination of interest rate are as follows:

1.1.2 Market-based Factors

Generally, Janata Bank PLC. borrow or pay short-term rates to depositors and lend through making loans at the longer-term. By doing this successfully, it will make

money and please stakeholders. An inverted yield curve, which means that interest rates on short-term spectrum are higher than long-term rates makes it quite difficult for a bank to lend profitably. Fortunately, inverted yield curves occur infrequently and generally don't last very long.

1.1.3 Economic Factors

Economic factors including the level and growth in Gross Domestic Product (GDP) and inflation are key factor for interest rate determination. Janata Bank PLC. also consider the interest rate volatility during interest rate fixation. These factors affect the demand for loans which can help push rates higher or lower. Local market considerations are also important. Shallow market like Bangladesh may have higher rates due to lower competition as well as the fact that loan markets are less liquid and have lower overall loan volume.

1.1.4 Client Inputs

Janata Bank PLC. try to offer best rate for its most credit-worthy customers which has a very high likelihood of the loan being paid back in full and on time. But some other factors are consider such as- how much a customer borrows, credit rating and the overall relationship with the bank.

Sufficient and quality of collateral against loan also plays a major role for rate fixation. The loan duration or how long to maturity is also important. With a longer duration comes a higher risk that the loan will not be repaid. This is generally why long-term rates are higher than short term ones. Janata Bank PLC. also look at the overall capacity of customers to take on debt.

1.1.5 A Summary of Different Interest Rates

There are many types of interest rates for various loan products. During loan rates determination process of trading loan, project loan, SME loans, cash credit and other continuous loans, Janata Bank PLC. follows Net Interest Margin (NIM), other commercial and peer banks rates as well.

1.1.6 The Bottom Line

Janata Bank PLC. uses an array of factors to set interest rates to maximize profits through the NIM for their shareholders. On the flip side, consumers and businesses seek the lowest rate possible. A common-sense approach for getting a good rate is

to turn the above discussion on its head or look at the opposite factors from what the bank might be looking for.

1.1.7 Fund Transfer Pricing (FTP)

Funds transfer pricing is a way to value the margin contribution from each individual loan and deposit that a bank has on their books. The way each instrument is valued is by calculating a funds transfer charge on the asset side (loans) and funds transfer credit to the liability side (deposits).

The funds' transfer charges and credits are calculated based on the bank's opportunity cost of borrowing at the time of origination. The value assigned to a deposit account would be equal to the difference between the costs of an equivalent term borrowing less the cost that is being paid on the instrument. FTP is, therefore, a revenue adjustment made to the bank's balance sheet to reflect the cost of funding.

1.1.7.1 Concept & Objectives of FTP

Transfer pricing is a major strategic management tool to quantify cost of deposit that addresses a number of management issues:

- to allow the netting of liquidity deficits and excesses within the bank;
- to set the rules for margin calculations;
- to serve as a base for determining the rate of assets & liabilities;
- to allocate the costs of funds to branches;
- to transfer financial, liquidity and interest rate risks from business units upward to ALCO.

1.1.7.2 Performance Measurement:

Performance of branches can be measured through annual profit and loss or more frequently depending on reporting capabilities. Generally, the major component of income is the interest that deposit-raising branches receive from Head Office on funding provided to the rest of the Bank. On the other hand, the major portion of expenditure, at branches giving advances, is the interest paid by the branches to Head Office for the funding provided to them.

The ancillary objectives of Janata Bank's Transfer Pricing policy are:

- Strategic tool for management. The Transfer Pricing also acts as a strategic tool available to ALCO for directing the flow of funds to ensure utilization of resources in the most efficient and profitable manner thereby managing risks and adhering to pre- determined financial standards and goals established in the financial plan;
- Provide consistent guidance in product pricing analyses. The overall performance of the Bank depends upon market conditions. These conditions should be reflected in the pricing of products. Transfer pricing provides guiding rates that can be used for pricing of funds internally in a way so as to instill discipline on loan pricing while simultaneously providing right incentives for deposit gathering.

1.1.7.3 Fund Transfer Pricing (FTP) of Janata Bank PLC:

The rate at which branches pay to head office against borrowing of fund or branches receive from head office against lending is known as Fund Transfer Pricing (FTP). Janata Bank PLC. has its own policy to fix its FTP. Like other banks or FIs, ALCO determines the rate of Deposits, Advances and Inter-branch A/Cs for proper balance sheet management.

As on 27/03/2025, FTP or rate of inter-branch A/Cs of Janata Bank PLC. is 9% for debit balance and 9% for credit balance i.e. if net-off balance of inter-branch A/Cs of a branch is debit figure then it will receive 9% interest from head office. On the other hand, if net-off balance of inter-branch A/Cs of a branch is credit figure then it will pay 9% interest to head office.

Appendix: ii

JANATA BANK PLC.

TREASURY DEPARTMENT

Head Office, Dhaka.

Bank Liquidity & Fund Position as on

Fig. in Crore

Required CRR (3.00%)	
Maintained CRR	
CRR Surplus/(Deficit) Daily 3.00%	
Required CRR (4%)	
CRR Surplus/(Deficit) 4% bi-week (A)	

Money Market Transactions

Call Lending	
Short Notice	
Reverse Repo	
Total Lending	
ALS Borrowing	
BB_REPO Borrowing	
Inter Bank REPO Borrowing	
Call Borrowing	
SND Borrowing	
Term Borrowing	
Total Borrowing	
Net Borrowing (B)	
Fund Position Deficit (A+B)	

Required SLR (13%)	
Maintained SLR	
SLR Surplus/(Deficit)	

Appendix: iii
JANATA BANK PLC.
TREASURY DEPARTMENT
HEAD OFFICE, DHAKA

Statement of Call Money Dealing/ Reverse Repo/ Repo Transaction.

(Amount in Crore)

Call Money Dealing					Lending		
Lending to Bank /NBFI	Call Loan Outstanding as on		Call loan dealing performed Today		Call loan taken back from	Todays total Call Loan Outstanding	
Name of the Bank	Amount	Rate(%)	Amount	Rate(%)	Amount	Amount	Rate(%)
Total							
Short Notice Transaction							
Name of the Bank	Amount	Duration Days	Date of issue		Rate of interest		Maturity
Total							
Reverse Repo Transaction							
Name of the Bank	Amount	Duration Days	Date of issue		Rate of interest		Maturity
TOTAL							
Sale/BUY SWAP with other banks							
Name of the Bank	Amount	Duration Days	Date of issue		Interest Differential		Maturity
Total							
Borrowing from Bank /NBFI	Call Loan borrow as on		Call loan Borrow performed Today		Call loan given back from yesterday's amount	Todays total Call Loan Borrowing	
	Amount	Rate(%)	Amount	Rate(%)	Amount	Amount	Rate(%)
Name of the Bank							
Total							
Short Notice Transaction							
Name of the Bank	Amount	Duration Days	Date of issue		Rate of interest		Maturity
Total							
Term Borrowing	Amount	Duration Days	Date of issue		Rate of interest		Maturity
Total							
ALS/Repo Transaction from BB	Amount	Duration Days	Date of issue		Rate of interest %		Maturity
Total							
Repo Transaction							
Total							

Appendix: iv

Janata Bank PLC.

Treasury Department

Statement of Call Loans Borrowing from Other Banks As on.....

(Fig. in crore)

Call Borrowing					Call Lending		
SL	Name of NBFIs	Amount	Rate		Name of NBFIs	Amount	Rate
1							
2							
3							
Sub Total		-			Sub Total		
SL	Name of the Banks	Amount	Rate		Name of the Banks	Amount	Rate
					Sub Total		
Total Call Borrowing							

Short Notice (Borrowing)					Short Notice (Lending)			
SL	Banks	Amount	Rate	Tenor	Banks/ NBFIs	Amount	Rate	Tenor
1								
2								
Sub Total								

SL	Term Borrowi	Amount	Rate	Tenor	Banks/ NBFIs	Amount	Rate	Tenor
1								
	Sub Total					Sub Total		

Repo/ALS/Special Repo (Borrowing)					Reverse Repo (Lending)			
SL	Banks	Amount	Rate	Tenor	Banks/NBFIs	Amount	Rate	Tenor
1								
2								
3								
Sub Total					Sub Total			
Total Borrowing					Total Lending			

Net Lending:

Appendix: v

	JANATA BANK PLC.								
	TREASURY DEPARTMENT								
	HEAD OFFICE, DHAKA								
DETAILS OF DEPOSIT/ TERM PLACEMENT TO BANKS & NBFIs as on:								(Amount in Crore)	
Sl	Name of Banks	Rating	Date	Period	Issue	Last Renew	Maturity	Amount	Intt Rate
	Total TP with Banks								
	Grand Total								
Sl	Name of NBFIs	Rating	Date	Period	Issue	Last Renew	Maturity	Amount	Intt Rate
	Total TP with Banks								
	Grand Total								

Appendix: vi

Liquidity Coverage Ratio Reporting Format

	NAME OF BANK : Janata Bank PLC.	Amount (in thousand Tk)
	Position : as on -----	
	COMPONENTS :	
1	Customer Deposit (Excluding Financial Institutions) :	
	Current (including 10% savings)	
	Savings (90%)	
	Fixed (1 month or less)	
	Fixed (more than 1 month)	
2	Deposit from financial institutions :	
	Current	
	Fixed (1 month or less)	
	Fixed (more than 1 month)	
3	Repo	
4	Other borrowings and placement received	
5	All other monetary liabilities issued by the bank that do not fit into one of the above categories	
6	Undrawn portion of lines of credit (continuous loans)	
7	Undrawn portion of lines of credit (Term loans)	
8	Amounts outstanding of commercial letters of credit (Settlement date within the next 30 days)	
9	Amounts outstanding of guarantees, standby letters of credit, performance bonds, bid bonds, and similar instruments	
10	All contractual cash outflows within the next 30 days	
11	Loans to financial institutions, such as reverse repos, backed by assets that are considered high -liquid	
12	Loans to financial institutions backed by assets that are not considered high -liquid	
13	Principal and interest receivables, on performing Term Loans, from all non-financial customers within the next 30 days	
14	Cash on hand (Lcy+Fcy)	
15	Balance with Bangladesh Bank :	
	a) Local Currency Total	
	Lien with BB as Capital	
	Lien with BB for other purposes	
	b) Foreign Currency Total	
	Lien with BB as Capital	
16	Value of unencumbered eligible Govt. Securities in HTM portfolio (T bill & T bond)	
	Value of securities marked as capital with BB	
17	Value of other unencumbered eligible Govt. Securities in HTM portfolio	
18	Market Value of unencumbered eligible Govt. Securities in HFT portfolio (T bill & T bond)	
	Market Value of securities acquired under Reverse repo	

Stock of High Quality Liquid Assets:

Liquidity Coverage Ratio (LCR):

Appendix: vii

Net Stable Funding Ratio Reporting Format

Statement Regarding Funding Position -----

	NAME OF BANK : Janata Bank PLC.	Amount (in thousand Tk)
	Month: ----- Year-----	
	COMPONENTS :	
1	Regulatory Capital (Consolidated) :	
2	Customer Deposit (Excluding Financial Institutions) :	
a	Current (including 10% savings)	
b	Savings (90%)	
c	Fixed (1 month or less)	
d	Fixed (more than 1 month to less than 1 year)	
3	Deposit from financial institutions :	
a	Current	
b	Fixed (1 month or less)	
c	Fixed (more than 1 month to less than 1 year)	
4	Liabilities with a remaining maturity of one year or more (excluding those mentioned in 2 and 3)	
5	All other monetary liabilities (excluding those mentioned in 2, 3,4 above and amounts owed to financial institutions)	
6	Amount owed to financial institutions	
7	Residential Mortgages ,regardless of maturity, that qualify for the 50% RW under Basel II Standardized Approach	
8	Loans to non-financial client other than natural persons or small businesses with a residual maturity of less than a year	
9	Other loans to non-financial clients with remaining maturity of one year or more, that qualify for the 50% RW under Basel II Standardized Approach	
10	Loans to natural persons or small businesses with a residual maturity of less than one year	
11	All loans (excluding those mentioned from 7 to 10) and cost price of debt securities (excluding those issued by other FIs) with a residual maturity of one year or more	
12	Cost price of debt securities (excluding those issued by other FIs) with a residual maturity of 1 year or more	
	Cost price of debt securities (excluding those issued by other FIs) with a residual maturity of < 1 year	
13	Undrawn portion of lines of credit (continuous loans)	
14	Undrawn portion of lines of credit (term loans)	
15	Amounts outstanding of commercial letters of credit	
16	Amounts outstanding of guarantees ,standby letter of credit,performance bonds,bid bonds and similar instruments	
17	Debt securities ,regardless of maturity ,issued by other financial institutions (cost price)	
18	Fixed assets (Cost price)	
19	Other investments :	
a	Non-traded equity securities (cost price)	
b	Mutual unit fund (cost price)	
c	Capital provided to own subsidiaries	
d	Publicly traded equity securities (cost price)	
20	Loans to and deposits in other financial institutions in Bangladesh	
21	Loans to and deposits in other financial institutions outside Bangladesh	
22	Claims on Bangladesh Bank	
23	Cash in hand (Lcy+Fcy)	
24	All other assets not mentioned above	

Available Amount of Stable Fund

Required Amount of Stable Fund

Net Stable Funding Ratio (NSFR)

Appendix: viii

Structural Liquidity Profile Reporting Format

Name of Bank: Janata Bank PLC.

Dated:

Structural Liquidity Profile

(Fig. in crore)

	Call	2-7 days	8 days - 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
ASSETS (INFLOW)								
Cash in hand (Lcy/Fcy)								
Balance with BB(Lcy)								
Balance with BB (Fcy)								
Balance with other banks and Fis								
Money at call and short notice								
Investment in G-SEC								
Other Investment (Share)								
Loans and Advances								
Bills Purchased and dis.								
Reverse Repo with BB								
Reverse Repo with others								
Fixed assets								
Other assets								
Non-banking assets								
Other receivables (Accrued income on Investment)								
Total Inflows								
Liabilities (OUTFLOW)								
Borrowing from BB								
REPO/LS with BB								
REPO with other banks & Fis								
Borrowing from Other banks & Fis								
Money at call & short notice								
Demand Deposits								
Savings bank deposits								
Fixed Deposit								
Bills payable								
Provision & other liabilities								
Capital & Reserve								
Total Outflows								
LC/LG (Net of margin)								
Other OBS items (Net of margin)								
Available Balance with BB (Fcy)								
Net Nostro a/c balance								
NET MISMATCH								
CUMULATIVE NET MISMATCH								

Medium Term Funding Ration (MTF) :-	
Maximum Cumulative Outflow (MCO) :-	

Trends :-	%					
	Call	2-7 days	8 days - 1 month	1 - 3 months	3 - 12 month	1 - 5 years
Demand Deposits Withdrawal						
Savings bank deposit withdrawal						
LC/LG (non-funded to funded)						
Other OBS Item (non-funded to funded)						

Appendix: ix

Janata Bank PLC.
Treasury Department
Head Office, Dhaka

Monthly Inflow-Outflow of Foreign Currency Reporting Format for the Year 2025

Fig. Million in USD

Sl	Particulars	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
1	Foreign Remittance												
2	Export												
	Sub Total(Inflow)=												
3	Import												
4	Others												
	Sub Total (Outflow)=												
	Deficit=												
5	Purchase from Bangladesh Bank												
6	Purchase from Inter Bank												

Appendix: x
Janata Bank PLC.
Treasury Department
Head Office, Dhaka

Treasury Performance Analysis Format

(Fig. in Crore Tk.)

Particulars	30-Apr-25	30-Mar-25	31-Dec-24	Increase/(Decrease)
Income from Treasury Bill				
Income from Treasury Bond				
Profit from SUKUK Bond				
Gain from Treasury Bill & Bond				
Revaluation loss from Bill & Bond				
Income from Government Investment				
Income from Sub-ordinated Bond				
Income from Perpetual Bond				
Dividend on share				
Revaluation loss on Share				
Capital Gain from Share				
Income from Other Investment				
Investment Income				
Underwriting Commission				
Exchange Earning-General				
Dealing Room Income				
Income A/C Rebate				
Treasury Income (other than Investment)				
Treasury Income				
Borrowing Expenditure				
Exp. A/C-Intt Paid on T Bond				
Interest paid on Repo				
Exp. On JBL Sub Bond (PL67351)				
Total Expenditure				
Net Treasury Income				

Appendix: xi
Maximum Cumulative Outflow of Janata Bank PLC.

Sl No.	Name of Buckets	Bucket wise outflow Limit	Max. Cumulative Outflow
1	-----up to 1 month	17% of Balance Sheet	1% -17%
2	1 month to 3 months	8% -15%	25% - 34%
3	3 months to 1 year	6% -15%	40% - 49%
4	1 year to 5 years	31% -40%	80% - 89%
5	More than 5 years	1%- 11%	90% - 100%

Appendix: xii

SWAP FUND LIMIT OF JANATA BANK PLC.

Counter Party Intra-day Limit & Counter Party Credit Forward Limit for SWAP:

Counter Party Intraday Limit (Inter Bank Dealing Limit) & Counter
Party Credit Forward Limit (for SWAP)

(Fig in Million USD)

Name of Counter Party	Intra-day Counter Party Limit (Set by JB PLC)	Counter Party Credit Forward Limit
Each NCB	25.00	50.00
Foreign Banks (abroad)	20.00	40.00
CITI N.A., SCB Dhaka	20.00	40.00
Commercial Bank of Cylon , Dhaka	10.00	15.00
BRAC, AB , EBL, SOUTHEAST CITY, ISLAMI BABNK BANGLADESH, AL-ARAFA ISLAMIC BANK	15.00	25.00
All other Local Private commercial Banks (each)	10.00	15.00

Appendix:xiii

Regulatory Compliance of Janata Bank PLC.

Sl No.	Regulatory Requirement	Reference (S)et by BB	Kept by Bank	Comments
1	Cash Reserve Requirement (CRR)	4.00%	-	
2	Statutory Liquidity Ratio (SLR)	13.00%	-	
3	AD Ratio	83.00% to 87.00%	-	
4	Net Open Position (NOP)	±75.35 Million USD	-	
5	Wholesale Borrowing	Janata Bank PLC.'s WB Limit should be kept 110% of the eligible capital (PD banks) in a particular fortnight.	-	
6	Commitment	For Janata Bank PLC., the commitment limit should be the lowest amount of the three ratios mentioned below. i) Total Commitments to Total Assets should be less than 50% ii) Total Commitments to Total Eligible Capital should be less than 500% iii) Total Commitments to Total High Quality Liquid Assets (HQLA) less than 250%.	-	
7	Capital to Risk Weighted Assets Ratio (CRAR)	10% of Risk Weighted Assets	-	

Appendix: xiv

Major Changes in New Edition

Sl.	Subject	Standard Value (As per BB Guidelines)	In Previous Addition	In New Addition
1	Liquidity Coverage Ratio	$\geq 100\%$	$\geq 100\%$	For Janata Bank PLC., the minimum acceptable value should be set to 100-150%. Page-5
2	Net Stable Funding Ratio	$\geq 100\%$	$\geq 100\%$	For Janata Bank PLC., the minimum NSFR should be set to 100-110%. Page - 6-7
3	Leverage Ratio	3%	3%	For Janata Bank PL., Leverage ratio should be set to 3 to 3.10%. Page - 6
4	Advance to Deposits ratio	87%	Desired level was 87.00%	AD ratio may be set at Min.75% - Max. 87%. Page -7
5	Wholesale Borrowing Guidelines	110%	110%	WB Limit should be kept within 105 to 110% of the eligible capital (as a PD banks) in a particular fortnight. Page -9
6	Maximum cumulative outflow (MCO)	1 month bucket 17%	MCO is supposed to be set up bucket wise as follows: Up to 1 month-1%-19%; 1 month to 3 months-25% - 34%; 3 months to 1 year- 40% - 49%; 1 year to 5 years-80% -89%; More than 5 years- 90% - 100%.	MCO is supposed to be set up bucket wise as follows: Up to 1 month-1% -17%; 1 month to 3 months-25% - 34%; 3 months to 1 year- 40% - 49%; 1 year to 5 years-80% - 89%; More than 5 years-90% - 100%. Page -12 &93
7	Swapped Fund Limit (Buy-sell)	-	Was not included	Newly Added. Swapped Fund Limit (Buy- sell) USD 100 million. Page -14
8	Description of Treasury Oper.	-	Was included but not up to the mark	Updated. Page- 16-22
9	Duration Analysis	-	Was included but not up to the mark	Updated. Page- 36-39

Sl.	Subject	Standard Value (As per BB Guidelines)	In Previous Addition	In New Addition
10	Calculation of Interest Rate Risk Limit	-	Was not included	Newly Added. Page- 43
11	Contingency Funding Plan	-	Was included but not up to the mark	Updated. Page- 63-69
12	Methodology for Setting Limit	-	Was not included	Newly Added. Page- 78-79
13	Interest Rate Policy	-	Was not included	Newly Added. Page- 80-83
14	Organogram of Treasury	-	Was not included	Newly Added. Page- 19
15	Process Flow Chart of Treasury Function	-	Was not included	Newly Added. Page- 18
16	ALM Guidelines (5th Edition)	Have to update every year	English & Bengali	Only English