



Report on

Portfolio Mix of SLR- A study on Treasury & FI Operations of BRAC Bank Limited

Submitted to

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Subject: Submission of Internship Report on Portfolio Mix of SLR- A study on Treasury & FI Operations of BRAC Bank Limited.

Dear Sir,

It is an absolute pleasure for me to submit the Internship Report titled “**Portfolio Mix of SLR- A study on Treasury & FI Operations of BRAC Bank Limited.**” as a significant part of the MBA program.

While making this report, I experienced a fair knowledge about Portfolio Mix of SLR- A study on Treasury & FI Operations of BRAC Bank Limited. I have tried my best to follow your guidelines in every aspect of preparing this report. I have collected what I believed to be the most relevant information to make my report as coherent as possible.

I thank you for providing me with the opportunity to work on this report.

Sincerely,

.....

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Acknowledgement

All thanks to Almighty Allah by whose boundless grace I have been able to complete this report successfully.

With pleasure, admiration & respect, I express my profound gratitude to my respected teacher, Supervisor of my internship report. It was his initiative enthusiasm and sympathy that was my guideline in the course of completing this report.

I would like to express my heartfelt gratitude to all employees of Treasury & FI Ops Department of BRAC Bank. Who have helped me to gather necessary information to prepare internship report. Their overwhelming support gave me the inspiration to do a better report.

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Executive Summary

BRAC Bank Limited is one of the latest generations of scheduled commercial banks in Bangladesh. It was founded in Bangladesh under the Banking Companies Act, 1991 and incorporated as private limited company on 20 May 1999 under the Companies Act, 1994. BRAC Bank Limited started its Journey on the 4th of July 2001 with a vision to be the absolute market leader through providing the entire range of banking services suitable to the needs of modern and dynamic banking business as well as to promote broad based participation in the Bangladesh economy through the provision of high quality banking services.

BRAC Bank Limited, with institutional share holdings by BRAC and International Finance Corporation (IFC) has been the fastest growing Bank in 2004 and 2005. BRAC Bank is extending full range of banking facilities as per the directives of Bangladesh Bank. It intends to set standards as the absolute market leader in Bangladesh by providing efficient, friendly and modern fully automated on-line service on a profitable basis.

As a leading SME based bank BRAC Bank is to maintain large portfolio. It also follows & maintains Bangladesh Bank's regulation and instruction to continue its daily operations. Treasury & FI Operations plays a vital role in this context.

SLR stands for Statutory Liquidity Reserve, which is maintaining 19% of bank's Average Total Demand and Time Liability with Central Bank. It means of each 100 Taka deposit from customers we have to keep 19 Taka as SLR and we have to maintain it by mixing different portfolio instruments following Central bank directives. Of 19% SLR requirement, 5.5% is CRR or Cash Reserve Ratio for daily requirement & 6% average for fortnightly mandatory requirement. SLR can be maintained with Treasury Bills, Treasury Bonds, Foreign Currency Balance with Central Bank, Cash balance in hand, Cash balance with Sonali Bank - agent of Central Bank and CRR is maintained with cash balance with Central Bank.

SLR has direct correlation with Asset Liability Management (ALM) of Bank. ALM monitors, measures and manages the risks associated with balance sheet and guard the bank against any unforeseen loss or threat of survival. Now, the question should come

how SLR & ALM has the linked up. It is nothing but the tools of Central Bank by fix the standard AD Ratio.

AD ratio means advance to deposit ratio. It helps to judge bank's liquidity position. In ideal scenario, AD ratio should be around 81%, as 19% of deposit is maintained as SLR. AD ratio might also go above 81% considering bank's capital, deposit base, contingency liquidity support window and overall depth of money market etc. At present, Standard AD Ratio is 85% for Bank set by Central Bank.

Treasury, to comply all the above regulatory factors, is performing their day to day task which is nothing but the goal of every organization - making money by minimizing risks. That's why; they are called the heart of every bank like Bank is treated as the life-blood of the modern economy. Treasury is the bank's fund manager and they are the prime profit center of every bank. The dimension of the department is they are dealing simultaneously in the Money Market, Capital Market, Securities market as well as Foreign Exchange Market. And, most importantly, the Head of Treasury of every bank is the Chairman of ALCO (Asset Liability Committee).

The focus of the study is to analyze the Portfolio Mix of SLR (Statutory Liquidity Requirement) of Treasury & FI Operations of BRAC Bank Limited.