

Report on

**Roles and Responsibilities of Treasury Department in a
Commercial Bank**

By
Seafat-E-Afrin
19204001

An internship report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Bachelor of Business Administration

BRAC Business School

BRAC University

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

Student's Full Name & Signature:

Seafat-E- Afrin 19204001

Supervisor's Full Name & Signature:

Suman Paul Chowdhury, PhD

Associate Professor of Accounting

BRAC Business School, BRAC University

Letter of Transmittal

Mr. Suman Paul Chowdhury

Associate Professor

BRAC Business School

BRAC University

Kha 224 Bir Uttam Rafiqul Islam Avenue

Merul Badda, Dhaka 1212.

Subject: Submission of Internship Report on “Roles & Responsibilities of Treasury Department in a Commercial Bank”

Dear Sir,

Greetings. This is my immense gratification to display my internship report on Roles & Responsibilities of Treasury Operations_in a Commercial Bank as partial fulfillment of the requirements for the degree of Bachelor of Business Administration.

Mr. Suman Paul Chowdhury, Assistant Professor of Accounting at BRAC University, guided me through the report's completion. I did my best to provide the relevant information. I firmly believe that the report meets all requirements.

Sincerely yours,

Seafat-E-Afrin

19204001

BRAC Business School

BRAC University

Date: 03 July 2024

Acknowledgement

I am deeply thankful that BRAC Business School gave me the chance to complete my internship at BRAC University.

I would especially like to express my gratitude to Mr. Suman Paul Chowdhury, my academic supervisor, for his outstanding support and patience during this process.

His guidance has been invaluable, and I consider myself fortunate to have been guided by him.

Additionally, I would like to sincerely thank Md. Shafiul Azim Faruqui, Head of Cash Management Operation, my organizational supervisor, for his clear direction and instructions on my work.

His leadership had a big influence on my internship experience, and I was really grateful for his efforts to keep the workplace welcoming and encouraging.

Finally, I would want to express my sincere gratitude to my family and coworkers for their constant support and inspiration along this trip. The production of this report would not have been possible without your assistance. I appreciate your contributions, everyone.

Executive Summary

This internship report attempts to elaborate the roles and responsibility of a treasury department within a commercial bank. In order to do so, the report goes deep into the core objectives of a treasury department and discuss about the core functions done to meet those objectives effectively. These goals are essential to guaranteeing the bank's profitability, stability, and adherence to legal requirements. The report further discusses about the key performance indicators of treasury department, and focuses on quantitative measures to evaluate the treasury department's strategic investment decisions, and its compliance with regulatory requirement.

In conclusion, the treasury department's functions have a significant impact on a commercial bank's financial stability and profitability because they enable the department to achieve long-term sustainability and a competitive advantage in the banking industry by carrying out its main objectives through effective operations and by utilizing financial measures for performance evaluation.

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List of Acronyms

AKFED	Aga Khan Fund for Economic Development
CRR	Cash Reserve Ratio
CSR	Corporate Social Responsibility
FDR	Fixed Deposit Receipts
GoP	Government of Pakistan
HBL	Habib Bank Ltd
HQLA	High Quality Liquid Assets
JRC	Joint Remittance Committee
MFS	Mobile Financial Service
MNC	Multinational Corporation
NITA	Non-Resident Investors' Taka Account
RMB	Renminbi
RTGS	Real Time Gross Settlement
SLR	Statutory Liquidity Ratio
SME	Small And Medium-Sized Businesses
SWIFT	Society for Worldwide Interbank Financial Telecommunication

Chapter 1: Internship Overview

1.1 Student Information

Name: Seafat-E-Afrin
ID: 19204001
Program: Bachelor of Business Administration (BBA)
Major: Marketing
Minor: Computer Information Management
Email: Seafat.e.afrin@g.bracu.ac.bd

1.2 Internship Information

Company Information

Period: 15th February to 14th May 2024
Company Name: Habib Bank Bangladesh Ltd.
Department: Treasury Operations
Address: Autograph, 67 & 68 Kemal Ataturk Avenue, Banani Dhaka 1213

Company Supervisor's Information:

Name: Md. Shafiul Azim Faruqui
Position: Head of Cash Management Operations

Email: shafiul.azim@hbl.com

Phone: +880 1709 632564

Job Scope

Duties/Responsibilities:

During my internship, I was in charge of tasks that needed great attention to detail and rigorous adherence to regulatory requirements. Each day began with the drafting of the Daily Exchange Position Report, a crucial regulatory document sent to the Bangladesh Bank every morning. I was also in charge of submitting the Daily Exchange Rate to the Bangladesh Bank Web Portal.

Another essential responsibility was to sort SWIFT message and prepare the Daily Nostro Balance Report to update it on the Bangladesh Bank Web Portal, which allowed us to keep precise records of our foreign exchange balance. In addition, I would upload Forex Deals on the site and emailed screenshots to the Treasury Operations team to verify that all transactions were correctly documented and reported.

A substantial portion of my responsibilities included writing deal confirmation letters for Forex and money market transactions. This entailed updating the Deal Register with a variety of treasury transactions, including Forex, money market activity, customer forwards, treasury bill and bond purchases, repo agreements, and cash transfers. I gathered SWIFT communications for Forex transactions and filed deal tickets together with all required papers, including the Authorized Deal Confirmation Letter.

I also helped in preparing monthly reports such as Wholesale borrowing report fortnite (WBRF) Report, High Quality Liquid Assets (HQLA) Report, and Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) Percentage Maintained Report. I was taught about the core banking system and its function in updating financial information such as cross rates, T-bill and bond purchases, fund transfers, and coupons. At the end of the day, I went through the daily to-do list to ensure all required documents, printouts, and maker-checker authorizations were there, along with the daily voucher.

Concurrently, I worked on a project to automate the process of creating daily exchange position reports, which my supervisor assigned to me, and I presented the project to the management committee on the last day of my internship.

1.3 Internship Outcome

Student's Contribution to the Company

As part of the Treasury operations team, I played a crucial role in ensuring the smooth functioning of day-to-day activities by taking on responsibilities that required a high level of attention to detail and data processing proficiency. I was in charge of creating and submitting regulatory reports as per the guidelines of the central bank.

I was successfully able to build a system using Microsoft Excel and VBA to automate the process preparing daily exchange position report with a view to save time, reduce human error, and increase data accuracy. As a result, the treasury team was able to improve its efficiency and accuracy in preparing a daily and time sensitive report.

Benefits to the Student

The League Internship program at HBL has transformed me in various ways. First, it provided me a glimpse into the industry, which has helped me to consider a full time career in banking sector. I am grateful to my supervisor, Shaiful Azim who has taught me corporate etiquettes and vast knowledge on each elements of Treasury functions. Second, it has considerably improved my speed and efficiency in Microsoft Excel, which is undoubtedly an important requirement for a treasury operations officer. Finally, this internship has provided me the opportunity to meet the industry experts who has been in the banking industry for over a decade. The entire management committee was amicable and always available to answer even the smallest inquiries. Overall, the internship has been a great learning experience for me that I will cherish forever.

Problem/Difficulties Faced During the Internship

It was difficult to learn about a department as vast as Treasury in only three months. However, I did put in my heart and soul to get most out of this internship opportunity and learnt about Treasury departments' function and importance within a financial institution. Moreover, as a marketing major, it took me awhile to get used finance jargon, and feel confident around them.

Chapter 2: Company Overview

2.1. Introduction

Habib Bank Ltd. (HBL) was founded in 1947 as Pakistan's first commercial bank. It was nationalized in 1974 and was controlled by the Government of Pakistan (GoP) until 2004, when it was privatized, with the Aga Khan Fund for Economic Development (AKFED) obtaining a 51% stake. Today, HBL operates a global network of over 1,728 branches and 2,300 ATMs, serving over 37 million customers.

HBL began operations in Bangladesh in 1976 and has since built a significant presence throughout the country, with five strategically positioned branches: two in Dhaka and one each in Sylhet and Chattogram. These branches provide a wide range of commercial banking services, including corporate banking, SME banking, correspondent banking, basic banking, agri-banking, and other loan products, to meet the diverse needs of the Bangladeshi market.

HBL aspires to become one of Bangladesh's most compliant banks, prioritizing adherence to local and international standard to achieve operational excellence and stakeholder confidence. Moreover, Habib Bank plays an integral role in China-Bangladesh commerce by being the RMB-denominated transactions and remittance services provider.

Vision

The vision of Habib Bank Bangladesh is- “Enabling people to advance with confidence and success.”

Mission

The mission of Habib Bank Bangladesh is- “To make our customers prosper, our staff excel and create value for shareholders.”

Values

The fundamental principles that make HBL's culture unique are-

1. Integrity
2. Customer Centric
3. Value People
4. Excellence
5. Progressiveness

2.2 Management Practices

HBL practices a democratic leadership style that aims to increase inclusion, employee engagement, and effective decision-making that is uniform throughout its operation all over the world, even including Bangladesh. One of HBL's notable efforts is the reverse mentorship program that allows two-way communication across all hierarchy of staff member.

Employee Feedback in Operational Decisions:

HBL is always mindful about the impact of operational adjustment on its employees, and actively works to ensure employee satisfaction. Therefore, any operational decision that effects staff members are done by receiving employee feedback

Voting System for Management Decisions:

Administrative decision-making process is done using voting system that all perspectives to be presented to management committee to make sound judgement. This undoubtedly increase the

sense of responsibility and accountability in leaders, resulting in more balanced and well-rounded judgments.

Emphasis on experience and expertise:

As HBL's management committee consists of seasoned bankers and industry experts, it guarantees that the bank's leadership is prepared to face any complex issues.

2.3 Human Resource Practices

HBL Bangladesh's Human Resource team consists of two employees who look after all HR responsibilities and maintain strong communication with the workers. This team regularly stay in touch with the employees to identify any issue in the workplace and resolve it promptly. The HR department is also responsible for initiating any positive workplace culture by sending push emails to the organization's domain on topics such as workplace optimism and awareness. Despite its modest size, the HR department is well adept at handling all aspects of HR management. Here is the organizational hierarchy of HBL Bangladesh management team:

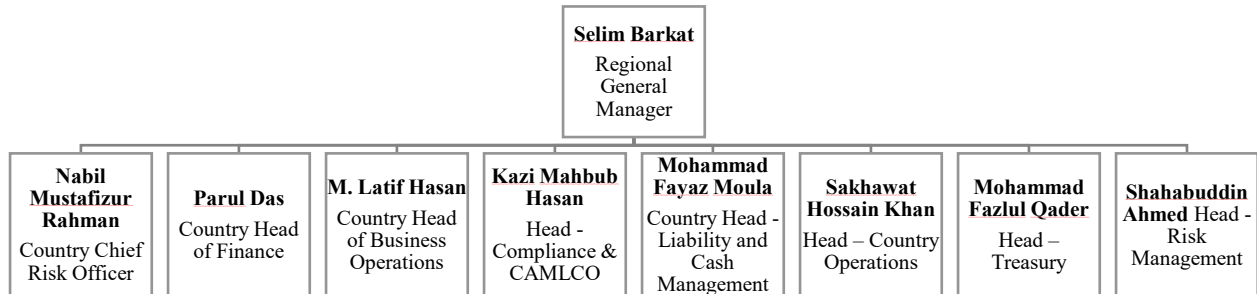


Figure 1: Company Organogram

2.4 Marketing Practices

HBL Bangladesh has a modest marketing presence in the country due to its organizational objectives. The organization tailors its marketing and promotion to meet the needs of its target market, which mostly includes enterprises rather than retail customers. This plan defines the scope and character of their marketing activities.

Limited marketing and advertising focus:

HBL Bangladesh's target market focuses on their goods rather than marketing. Unlike retail banking, which depends heavily on marketing and branding initiatives to acquire individual consumers with a variety of appealing products, HBL Bangladesh services businesses that require less marketing spending. Instead, the focus is on financial success and client service. As a result, HBL Bangladesh's marketing strategies are not

Corporate Social Responsibility (CSR) Activities:

Despite its minimal marketing presence, HBL Bangladesh participates in a few prominent CSR initiatives. These events increase brand visibility while also reminding the public of their community commitments. While these CSR activities are not a large component of their marketing plan, they do increase brand exposure and good associations.

HBL Bangladesh's marketing strategy is specific to its target market of commercial entities, resulting in limited marketing visibility. The firm focuses financial efficiency and client service over expensive marketing initiatives. However, via chosen CSR efforts, HBL Bangladesh maintains some brand presence and demonstrates its commitment to the society.

2.5 Operation management and information system practices

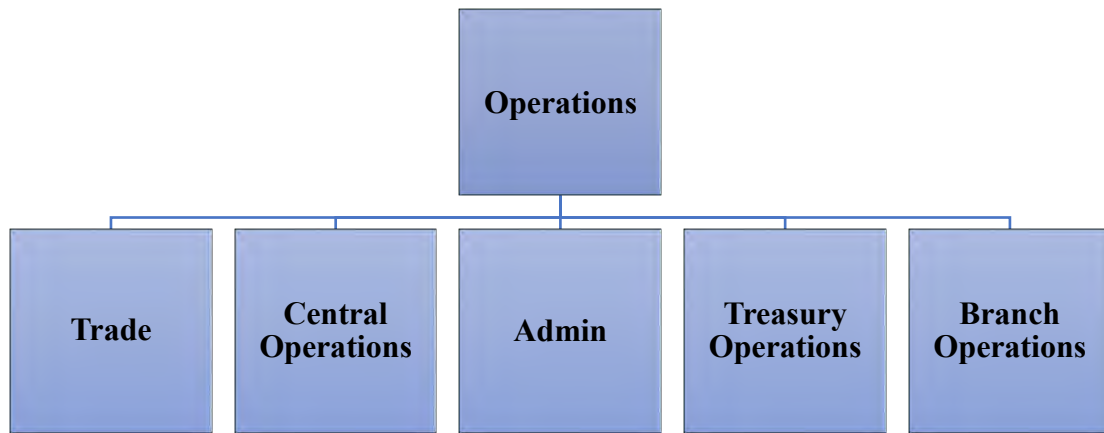


Figure 2: Departments of Operation Management

2.5.1 Trade Operations

HBL Bangladesh's trade activities service a wide range of corporate clients, with a primary focus on letters of credit (LCs), guarantees, and documentary credits. These services are only provided

to corporate clients, consistent with HBL's objective of catering to business organizations rather than individual retail consumers.

2.5.2 Centralized Operations

HBL Bangladesh's central operations cover a wide range of important banking tasks, including:

- Opening and closing account
- Issuing Fixed Deposit Receipts (FDRs)
- Processing Real Time Gross Settlement (RTGS) transactions
- Activities of the Joint Remittance Committee (JRC)
- Managing Non-Resident Investors' Taka Account (NITAs)

These responsibilities are critical for ensuring smooth and efficient banking operations, meeting regulatory obligations, and delivering high-quality service to clients.

2.5.3 Administrative functions

The administrative department of HBL Bangladesh undertakes a variety of everyday operating activities to ensure that the bank runs smoothly. The key roles include:

- Organizing office events
- Observing and celebrating important days
- Managing office supplies
- Coordinating with the IT department
- Addressing employee needs
- Performing office maintenance

The administrative department is critical to fostering a positive work environment and supporting the bank's overall operations.

2.5.4 Treasury Operations

HBL Bangladesh's treasury department is in charge of overseeing the bank's cash inflows and outflows. Treasury activities are divided into two components:

1. Operational Support: This includes communication with Bangladesh Bank, documentation, and cash receipt/delivery.
2. Treasury Management: Primary responsibilities include managing the bank's cash, investments, and financial risk to satisfy commitments and optimize performance.

2.5.5 Branch Operations

HBL has four branches in Bangladesh, including two in Dhaka. The central operations department oversees branch operations, which may include:

- Record keeping
- Cash collection and disbursement
- Customer handling/Customer Service
- Day-to-day banking operations

Effective branch operations are critical for delivering excellent customer service, keeping accurate financial records, and efficiently managing cash and transactions. Operations management at HBL Bangladesh includes a wide range of operations that are critical to the bank's overall performance. From trade operations and central activities to administrative responsibilities and treasury management, each department contributes significantly to the bank's

efficiency and effectiveness. The branch operations expand these services to consumers, assuring broad coverage and excellent service standards throughout all locations.

2.6 Industry and competitive Analysis

2.6.1 SWOT Analysis

The SWOT analysis of Habib Bank Ltd. Bangladesh is as follows:

Strength:

- **Brand Reputation:** HBL has a strong brand reputation as an outcome of association with the Aga Khan Fund for Economic Development (AKFED). In 2021, the bank reported a \$125 million profit, demonstrating its financial resilience in the face of the coronavirus epidemic.
- **Global Reach & Extensive Experience:** HBL's global presence in more than 25 countries and 10 subsidiaries, along with its vast banking knowledge, simplifies international trade and transactions.

Weakness:

- **Limited Client Base, ATM Network & Few Branch Locations:** HBL intends to service a smaller customer base effectively with only four branches and fewer ATMs in Bangladesh, limiting its ability to acquire and serve large number of corporate clients.
- **Loan Approval Process:** Habib Bank strives to be the most compliant bank in Bangladesh, thus the loan approval procedure takes longer than its rivals do, and discouraging clients need immediate financial solutions.

Opportunities:

- **Expansion of Foreign Remittance Services:** HBL can capitalize on the increasing need for remittance services by expanding its network in countries with large number of Bangladeshi immigrant workers.
- **Focus on SME Loans:** Small and Medium-sized Enterprise (SME) is another profitable market segment for HBL that can be attracted by introducing tailored loan options.
- **Growth in Digital Banking:** Enhancing digital banking services, especially for international transactions, can provide HBL with a competitive advantage owing to its global operations..

Threats:

- **Intense Competition:** The highly competitive nature of banking industry in Bangladesh may result in client loss if HBL's services are not competitive.
- **High Loan Default Rates:** Loan defaults in Bangladesh has reached 1.3 trillion BDT, posing a significant risk. Strict loan distribution guidelines and efficient administration are needed to mitigate this risk.
- **Global and Local Economic Challenges:** According to the World Bank, Bangladesh's economy is currently facing four challenges: high inflation, a foreign currency imbalance, import limitations, and financial sector vulnerabilities. These may have an impact on HBL's operations and future growth.

2.6.2 Porter's five forces analysis

Porter's five forces model is a great tool for assessing industrial competition. Competitiveness can be measured in percentages using the Likert scale, which assigns numerical values to Very low-1, Low-2, Medium-3, High-4, and Very high-5.

1. **Threat of new entrants is- low (2):** The threat of new entrants in the banking industry is relatively low due to high entry barriers such as rigorous regulatory requirements of Bangladesh Bank and huge paid-up capital requirement of at least 5 Billion Taka.
2. **Bargaining power of supplier is- Medium (3):** Continuous cash flow is crucial for bank operations. Individual depositors pose minimal threat, but large groups of business depositors can significantly affect the bank's liquidity. Therefore, giving suppliers a medium level of bargaining power.
3. **Bargaining power of buyers is- High (4):** The main clients of a bank is the businesses looking loans and settlements for international trade. These corporate customers possess significant bargaining power. Buyer power in the banking sector varies according to the kind of account; corporate customers often hold more bargaining power than retail.
4. **Threats of substitutes is- High (4):** Although there has not been many concerns about substitutes in the banking sector, a number of new financial services, such as internet banking and mobile financial services (MFS) like Bkash, Nagad, and others that have quickly gained popularity among Bangladesh Market, do serve as alternatives.
5. **Industry rivalry is- High (4):** There are about over 60 International Banks operating inside Bangladesh, offering a wide range of services to customers through effective customer relationship management, resulting in a highly competitive market.

Competitiveness of the industry = $(2+3+4+4+4) / 25 = 0.68$ or 68%. The competitiveness of the banking industry for HBL Bangladesh indicates a moderately high level of competition. This implies that HBL must continuously innovate and optimize its services in order to remain competitive in the market.

2.7 Summary and Conclusion

Habib Bank Ltd. Bangladesh has established itself as a trustworthy and strong competition in the country's banking industry with its strong brand recognition, skilled management, and customer-focused approach. Despite facing challenges like limited branch and ATM networks and fierce market competition, HBL can continue to thrive by leveraging its strengths and correcting its limitations. The bank's democratic leadership style encourages staff participation and the Reverse Mentorship Program demonstrates its commitment to diverse perspectives. By capitalizing on its strengths and addressing its weaknesses, HBL Bangladesh can achieve long-term growth and increased customer satisfaction.

2.8 Recommendation

Habib Bank Ltd. (HBL) in Bangladesh may boost its competitiveness by extending its branch and ATM networks, strengthening online banking services, and increasing its portfolio of SME loans. These tactics will improve client access, market penetration, and satisfaction. HBL may also expedite the loan approval process by deploying modern digital solutions that strike a balance between efficiency and compliance. Strengthening overseas remittance services through diaspora groups, as well as offering low transfer fees and attractive exchange rates, will attract more customers. Purchasing innovative technologies will increase operational effectiveness and personnel efficiency. Increased marketing and corporate social responsibility activities will also increase brand loyalty. Implementing these ideas will help HBL increase customer happiness, sustain development, and preserve its leadership position in the banking market.

Chapter 3: Roles & Responsibilities of Treasury Department in a

Commercial Bank

3.1 Introduction

Commercial banks act as intermediaries between depositors and borrowers, taking deposits and earning interest. They use the cash to make loans to borrowers, with borrowers paying higher interest rates. The interest rate spread is a significant revenue source for commercial banks. Bangladesh has around 61 commercial banks, with nine being multinational banks and 52 being local. Key departments include retail banking, corporate banking, risk management, operations, human resources, information technology, and the treasury department

Treasury Department

Treasury department is at the heart of banking industry. It plays a crucial role in ensuring stability, liquidity and profitability. It is responsible for optimizing funds, managing liquidity, ensuring adequate cash flow for all sorts of business activities. Treasury dept. achieves all that by proactively monitoring market conditions and financial risk to execute inter-bank and cross border deals – such money market deals and forex deals. Apart for that, treasury looks after investment activities regarding fixed-income investments such as Treasury bills and bonds. Treasury dept. does all that while ensuring regulatory compliance. In short, Treasury department of bank is in charge of managing assets, liabilities and risks. Every commercial bank's Treasury department submits reports to the Central Bank's Forex Reserve & Treasury Management Department. This department helps exporters, encourages green initiatives, and ensures efficient administration of the nation's foreign exchange reserves in addition to facilitating seamless foreign exchange

transactions. It also manages the government's foreign debt, monitors international transaction settlement, and arranges international donations and help. Overall, the effective functioning and expansion of Bangladesh's commercial banks depend heavily on the Forex Reserve & Treasury Management Department.

3.1.2 Responsibilities of Treasury Department

Here are the Primary Objectives of Treasury Operations:

1. **Liquidity Management:** overseeing the bank's cash flow to ensure sufficient liquidity available to meet its obligations, such as customer withdrawals, loan disbursements, and other operational needs.
2. **Asset and Liability Management:** managing the bank's assets and liabilities to optimize profitability and minimize risk, including investing in profitable assets and ensuring cost-effective funding.
3. **Risk Management:** identifying, measuring, and managing financial risks, such as interest rate risk, foreign exchange risk, credit risk, and liquidity risk by developing policies, implementing hedging strategies, and monitoring risk exposure.
4. **Funding and Capital Management:** raising funds for operations and capital needs through issuing debt securities, negotiating credit lines with other financial institutions, and managing the capital structure to optimize cost and fund availability while considering regulatory requirements and the bank's risk appetite.
5. **Financial Market Analysis:** monitoring financial markets, economic indicators, and regulatory developments to assess their impact on the bank's financial position and

investment decisions. This process includes conducting market research, analyzing data, and providing insights to senior management to support strategic decision-making.

6. **Compliance and Regulatory Reporting:** involves ensuring adherence to regulatory requirements by preparing periodic reports on the bank's financial activities, risk exposures, and compliance with regulatory guidelines. This process includes collaborating with internal and external auditors to maintain transparency and ensure the bank meets all regulatory standards.

3.1.3 Roles of Treasury Department

Treasury department consists of front office, mid office and back office to systematically carry out the prior mentioned objectives. Each sub department has defined roles and duties to ensure smooth operation of treasury functions.

Front Office:

- ✓ The Treasury Front Office, commonly known as the Dealing Room, makes trading and investment decisions.
- ✓ In the dealing room, dealers execute trades and monitor individual deal limits.
- ✓ Interbank transaction processing, currency trading, placement choices, and fund administration are all critical responsibilities.
- ✓ The front office monitors currency holdings, determines exchange and interest rates for market instruments, manages liquidity and cash reserve ratios, establishes daily foreign exchange rates for cash, TOM, spot, and forward transactions, and evaluates risk exposure on a regular basis.

Mid Office:

- ✓ The Treasury Mid Office is responsible for providing management with information and executing risk management systems.
- ✓ It assesses and manages risks connected with treasury transactions, such as market and credit risks, ensuring that front and back office activities comply with authorized standards and restrictions.
- ✓ Setting and monitoring exposure limits, assessing market movements through internal and external research, monitoring currency positions, calculating and reporting value at risk, conducting risk and return analysis, and evaluating market open positions to determine unrealized gains and losses are all important functions.

Back Office:

- ✓ The Treasury Back Office is responsible for verifying and settling dealer transactions.
- ✓ This involves independently confirming transactions with counterparties over the phone and verifying confirmation documentation.
- ✓ The back office does all bookkeeping and files deal ticket with necessary documents according to banking standards.
- ✓ It guarantees that deals are settled on time, with all payments and receipts occurring on the value date, and it maintains track of transactions in the Nostro Account.
- ✓ It also keeps up-to-date records and registrations of all transactions.

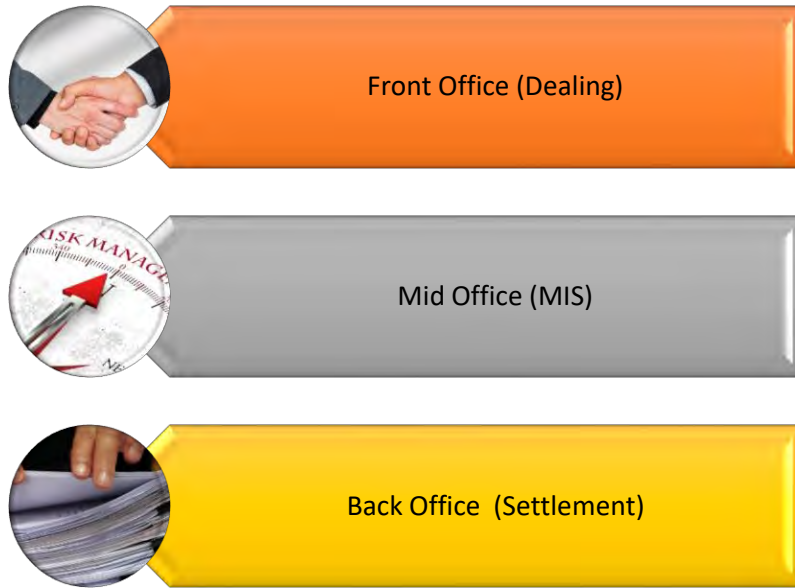


Figure 3: Treasury Department

3.2 Key Performance Indicator for Treasury Department

The Treasury Department's success is evaluated using both qualitative and quantitative key performance indicators (KPIs). Qualitative metrics focus on operational efficiency, technology competency, and operational accuracy. On the other hand, Quantitative measures, such as deal profitability, strategic investments, and regulatory compliance, measure financial results. For ease of discussion and availability of data, quantitative metrics will be considered in assessing the performance of Habib Bank Ltd.

As previously stated, the Treasury Department invests in fixed-income instruments such as Treasury Bills and Bonds. Treasury bills are short-term, zero-coupon government securities that mature within a year. They are purchased at a discount and offer face value upon maturity. Treasury bonds, on the other hand, are long-term, zero-risk fixed coupon-bearing debt instruments

with ten-year maturities, twice-yearly interest, and face value at maturity. The bank's goal with Treasury bills is to profit from short-term price changes. The interest earned on T-bills and bonds contributes to bank's profitability by providing stable, low-risk and diversified revenue source.

While making effective investment decisions, treasury department also needs to comply with the regulatory requirements set by central bank. One of the regulatory requirement is that the bank has enough reserves and liquid assets to meet short-term obligations and operate day-to-day business. As per Bangladesh Bank Monetary Policy Department circular no. 03, bank has to maintain Cash Reserve Ratio (CRR) 5.5% of average net demand and time liabilities (NDTL) with central bank and Statutory Liquidity Ratio (SLR) 13% total liabilities in the form of cash, gold, or other securities. CRR is the required minimum level reserve holding with the central bank to meet depositor's withdrawals, and SLR is required liquid asset-cash, gold, government securities bank must keep meeting depositor's withdrawal.

3.3 Case Study: Analysis of Habib Bank's Annual Financial Report

The data used to examine the influence of HBL's treasury activities on its financial performance are from the financial statements published on Habib Bank Bangladesh's official website.

Interest Earned from Govt. Securities

- ✓ Between 2014 and 2019, Habib Bank's overall investment income and total investments in treasury bills and bonds declined, which may have been due to difficulties in maximizing returns during that time.
- ✓ Post 2019, there is a significant increase in both income and total investments.
- ✓ The investment yield fluctuates but shows a marked improvement in 2020 and beyond. The highest yield of 8.85% is observed in 2023.

- ✓ Despite lower investments in earlier years, the yield was relatively stable.

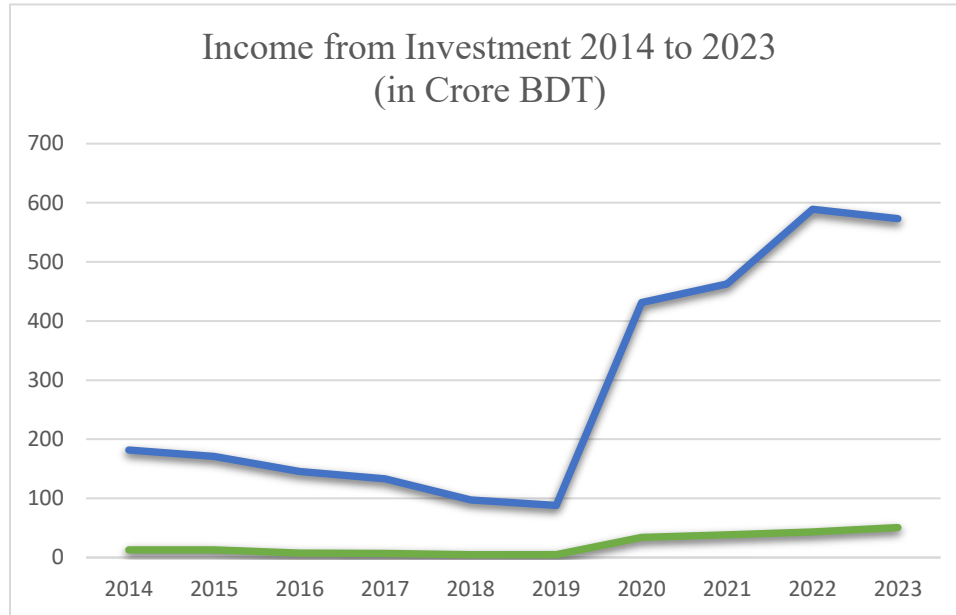


Figure 4: Income from Investment

Year	Income From Investment (Crore BDT)	Total Investment (Crore BDT)	Investment Yield (%)
2014	13.16	181.79	7.24
2015	12.73	171.03	7.44
2016	7.65	145.81	5.25
2017	6.96	132.9	5.24
2018	4.93	97.32	5.07
2019	4.88	88.12	5.54
2020	33.98	431.21	7.88
2021	38.61	462.83	8.34
2022	43.06	589.07	7.31
2023	50.72	573.35	8.85

Table 1: Chart of Income from Investment

Cash Reserve Ratio (CRR)

- ✓ Habib Bank successfully managed its Cash Reserve Ratio (CRR) from 2014 to 2023 with its proactive approach in exceeding CRR requirements despite economic uncertainty, such

as achieving 194.24% compliance in 2020, reflects strong liquidity management practices that assure depositors of their funds' safety and accessibility. This fosters trust and confidence in the organization's financial resiliency.

- ✓ This strategic adherence indicates the bank's rigorous practices in issuing loans to its customers.

Cash Reserve Ratio (5.5%)	Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Required Reserve (in Crore BDT)	41.83	41.72	40.07	40.84	30.70	29.51	22.43	22.47	24.30	28.36
	Actual Maintained Reserve (in Crore BDT)	49.50	53.64	61.54	47.72	44.00	39.12	43.57	29.08	24.97	44.71
	%	118.34	128.56	153.60	116.84	143.32	132.56	194.24	129.39	102.75	157.65

Table 2: Chart of Cash Reserve Ratio

Statutory Liquidity Ratio (SLR)

- ✓ Habib Bank has shown a solid liquidity position from 2014 to 2023 by continuously keeping reserves far over the necessary Statutory Liquidity Ratio (SLR) of 13% of average demand and time liabilities. This indicates the bank has enough liquidity to absorb in any potential losses.
- ✓ The percentage of SLR compliance increased significantly between 2019 and 2020, peaking at 758.34% in 2022.
- ✓ This excessive compliance with regulatory standards is a result of Habib Bank's conservative and risk-averse approach in managing liquidity, which suggests an excess amount of idle cash and assets that are underutilized.

Statutory Liquidity Ratio (13%)	Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Required Reserve (in Crore BDT)	83.66	83.44	80.13	81.68	72.57	69.76	72.91	73.04	78.97	92.18
	Actual Maintained Reserve (in Crore BDT)	199.03	187.09	202.19	145.38	115.82	101.93	458.54	476.84	598.84	597.12
	%	237.91	224.21	252.32	178.00	159.60	146.13	628.92	652.86	758.34	647.80

Table 3: Chart of Statutory Liquidity Ratio

3.4 Conclusion

While Habib Bank Ltd. (HBL) has demonstrated its ability to effectively manage liquidity and adhere to regulatory requirements, its treasury operations still require enhancement. From 2014 to 2019, the bank's investment revenue decreased, even with achievements such as consistently achieving the CRR and SLR standards. This implies that there could have been chances lost during recessions. To increase returns in lean economic times, improving investment strategies should be the top priority for the treasury team. For HBL to encourage ongoing improvement, dependable performance monitoring systems prior set. It is important to combine qualitative metrics like operational precision and efficiency with quantitative metrics like transaction profitability and investment yields.

Additionally, while having excess reserves on hand is a good idea, it is important to ensure that idle cash is used effectively to boost profitability. For the purpose of precisely assessing investment possibilities and lowering risks, HBL can improve its risk assessment frameworks.

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