

# Internship Report

ON

BRAC Bank Ltd

**Submitted to:**

Shawkat Kamal

Assistant Professor

BRAC University

**Submitted by:**

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## Letter of Transmittal

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27<sup>th</sup> May, 2013

To

Shawkat Kamal

Assistant Professor

BRAC Business School

BRAC University,

66, Mohakhali, Dhaka

Subject: Submission of the Internship report

Dear Sir,

I am submitting my internship report titled “Capital Market Exposure of BRAC Bank Limited” as partial requirement of internship program under BBA curriculum.

I would like to thank you for assigning this report as it provided me with the opportunity to venture into the real life scenario and to broaden the horizon of my understanding on how syndication is arranged and all the work that goes into it. I sincerely hope that my work will come up to the level of your expectation.

I welcome your query and grateful to answer them.

Sincerely Yours,

Mohd Samin Mukhter (09104035)

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# Acknowledgement

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The successful accomplishment of this Internship Report is the outcome of the contribution and involvement of a number of people, especially those who took the time to share their thoughtful guidance and suggestions to improve the report. It's difficult for me to thank all of those people who have contributed something to this report. There are some special people who cannot go without mention.

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Then, I express my sincere gratitude to Shah Muntasin Mujtaba (Senior Manager, Foreign Exchange Treasury, Financial Institution of BRAC Bank LTD.) for supporting me with knowledge and resources and for providing me with necessary information to facilitate my overall understanding of this project. Without his help I could not have been able to prepare my report so informative. It was my privilege and I am truly honored working with such a wonderful team.

Finally my sincere gratitude goes to my family, friends, classmates and colleagues who helped me whenever I needed.

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## Executive Summary:

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The principal reason of banks chartered by the government and the central bank is to make loans to their customers. Banks are expected to support their communities with an adequate supply of credit for all legitimate business and consumer financial needs and to price that credit reasonably in line with competitively determined interest rates. Indeed, making loans is the principal economic function of banks to fund consumption and investment spending by businesses, individuals, and units of government. How well a bank performs its function has a great deal to do with the economic health of its region, because banking performance supports the growth of new businesses and jobs within the bank's trade territory and promotes economic vitality. Moreover, bank loans often seem to convey positive information to the marketplace about a borrower's credit quality, enabling a borrower to obtain more and perhaps somewhat cheaper funds from other sources. Therefore, evaluating BRAC Bank Limited's financial performance by comparing it with that of the best performing commercial banks of Bangladesh.

As the competition is increasing, the commercial banks are constantly looking for scope to develop credit operations and performance appraisal to the market. However, tight control on the part of the Central Bank, Bangladesh Bank, restricts the scope for maneuvering in the market with new performance and credit operations. Therefore, banks require finding out untapped market space for growth.

Moreover, in these liquidity crunch times, it is crucial for banks to be able to perform efficiently and effectively. If the bank is not being able to perform, then the bank might go bankrupt, which would have a significant impact on the economy.

# CHAPTER

# 1

## =INTRODUCTION=

## **1.1 Introduction**

A bank as a matter of fact is just like a heart in the economic structure and the Capital provided by it is like blood in it. Bankers play very important role in the economic life of the nation. Nowadays modern banks are very constructive for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purposes.

Bank industry has frequent interaction with customers, so the service quality and customer satisfaction are very important to it. Hence the bank industry has invested numerous resources to improve its service quality, because, high service quality results in customer satisfaction and loyalty. Excellent performance feature and high customer satisfaction is the important issue and challenge for banking industry. Today, service quality is considered a critical measure of organizational performance and continues to compel the attention of managers and academics. Moreover, investors are more concerned about bank's performance now a day.

BRAC Bank Limited is a scheduled commercial bank in Bangladesh. It established in Bangladesh under the Banking Companies Act, 1991 and incorporated as private limited company on May 20, 1999 under the Companies Act, 1994. Its operation started on July 4, 2001 with a vision to be the market leader among the bank through their performance in all kind of financial sector. In the competitive banking industry, BRAC Bank is also trying to differentiate them through their services too. BRAC Bank tries to provide service to its customers and gain the customer's trust. Moreover, BRAC Bank is investing in our capital market in order to provide financial strength in our economy.

## **1.2 Origin of the Report**

This report originated as a partial requirement of Internship under BBA program, BRAC University and the host organization is BRAC Bank Ltd. For internship purpose I have been attached with the Finance Division of BRAC Bank Ltd. for three months duration as from February 17, 2013. The report is titled: "**Capital Market Exposure of BRAC Bank Ltd**".



### 1.3 Objective of the Study

The sensible motives of preparing the report on “Capital Market Exposure of BRAC Bank” are to depict the different aspects of capital market exposure at a glance with the light of BRAC Bank. The primary and specific objectives of this study are as following:

➔ Primary Objective

The prime objective of this study is to get an overall idea of **Capital Market Exposure** of BRAC Bank Limited including its mode of use, opportunities, benefits, and challenges.

➔ Specific Objectives

The specific objectives of this report are-

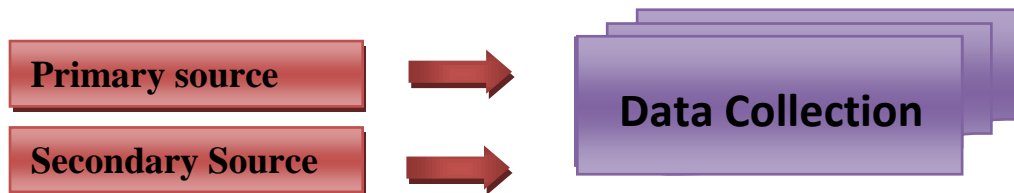
- To get the idea of Capital Market Investment of BRAC Bank.
- To know the comparative aspects of BRAC Bank with other banks
- To know the following rules and regulation by BRAC Bank Limited in time of Investment
- To know the imposed guideline by Bangladesh Bank for the bank regarding Capital Market Investment

### 1.4 Methodology

In order to meet the needs of fulfilling the objectives of the report, both primary and secondary data are required. The study was conducted using the participatory method. To know the in-depth information; the topic was discussed with the expert professionals related to the company for several times and other related secondary information.

Data Collection:

Data have been collected from two sources. These are as under:



✓ Primary sources

➤ *Direct observation (7 weeks):*

As I got the chance of internship in BRAC Bank Limited it was possible to collect required data directly from the bank.

➤ *Opinions of experts from BRAC Bank Limited:*

I've also taken the information from the experts working with the Capital market investment such as the Treasury Department and Finance and Accounting Division who were really helpful in providing all necessary information.

✓ Secondary Sources

➤ *Official Website*

Official website of BRAC Bank Limited helped to get the overall information about the bank Performance and general information.

➤ *E-Learning*

A site of BRAC Bank by internal server, which was introduced to me in the first day, was really helpful in getting many knowledge about the bank. Information about Banks recruitments,

bank's participated events and other related information are posted in this web page which also helped by providing necessary data.

## 1.5 Limitation

As an Internee has to complete the internship and prepare an internship report within three months. So time constrain is the main limitation of the report, but it was a great opportunity for me to know the banking activities of Bangladesh, especially BRAC Bank Ltd.

Some other limitations are as follows:

- ✓ Due to confidentiality issue, it was not possible to collect in-depth information of the capital market investment of BRAC Bank Limited.
- ✓ As internship period is very short so it is difficult to get all information specifically within this time.
- ✓ I have to go under my day to day job responsibility which I am supposed to do. So, I could get few more time to spend in collecting data for preparing my internship report of the organization.
- ✓ Due to time shortage, details of many aspects of the services of BRAC Bank Limited have been skipped in this report.
  
- ✓ As per Bangladesh Bank rule, every bank must have at least a subsidiary company for their capital market exposure. So it becomes difficult to collect to all the information from every division of the bank.

# CHAPTER 2

## = **Organizational Overview of BRAC Bank Limited** =

**BRAC** started as a development organization dedicated to alleviating poverty by empowering the poor to bring about change in their own lives. In Bangladesh It was founded in 1972 and over the course of evolution, it has established itself as a pioneer in recognizing and tackling the many different realities of poverty of which **BRAC BANK Limited** is one of the largest operational commercial venture with a vision:

*“Building a profitable and socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stakeholders build a just, enlightened, healthy, democratic and poverty free Bangladesh”.*

## **2.1 Overview of BRAC Bank Limited**

### **BRAC Bank work for the missing middle**

Established in 2001, BRAC Bank is now 11 years old and it has pioneered the small and medium enterprise (SME) banking.

If we think of the financial pyramid, there are corporate institutions (local and multinational) at the top of the pyramid and there are low income individuals at the bottom. Those at the top are served by banks and other financial institutions while those at the bottom are served by Micro Finance Institutions (MFIs), e.g. NGOs. But SME sector in the middle were missing access to necessary banking services and that’s where BRAC Bank has filled the gap.

### ***BRAC Bank believe that “SME Financing Is Key To Financial Inclusion”***

BRAC Bank is a financial hypermarket that offers financial solutions for all strata – be it retail, SME, wholesale banking, capital market, or remittance; but it always had a focus on SME. This bank was actually founded on a philosophy of keeping trust on the hopes and dreams of Bangladeshi entrepreneurs – and majority of these entrepreneurs have been beyond the conventional banking reach. The bank was the PIONEER to get into

this segment of SME.

The bank has so far financed women in growing cattle farms, poultry businesses, boutiques, screen-printing, schools – what not! Even, green field start-ups are also there in our successful, rich portfolio. Alongside it provides special Women Entrepreneur Cell, something that many other banks have. But at BRAC Bank, this cell is run by female personnel – just to make sure that our female entrepreneurs feel more comfortable to discuss their (business) issues. In addition Brac Bank has held a number of seminars and training programs for women entrepreneurs to strengthen their capacity and develop financial management competency.

#### **BRAC Bank values - CRYSTAL**

**C** stands for being **Creative**, Be a person of innovative ideas in solving issues, thinking different ideas to reach one destination; do new associations between existing ideas or concepts for the organization’s overall growth.

**R** stands for being **Reliable**, Be worthy of reliance or trust at work so everyone could depend on you.

**Y** stands for remaining **Youthful**, Be a person of freshness and vibrant characteristic at work. Feel young at HEART and project enthusiasm during performing duties.

**S** stands for being **Strong**; Be a person of willing to move forward and apply conscious choice, willpower, discipline and passion at work.

**T** stands for being **Transparent**, Be transparent at work at all level both internally and externally. Show openness and honesty through communication to bring transparency.

**A** stands for being **Accountable**, Be accountable for own actions and take responsibilities for the outcome of the actions; be responsible and answerable towards customers, organization, regulatory bodies as well as the society.

**L** stands for being **Loyal**, Be loyal to the organization by being compliant at work, taking ownership and create belongingness which will carry your brand as your pride.

## 2.2 About BRAC Bank

BRAC Bank is one of country's fastest growing banks. With 151 branches, 250 ATMs, 421 SME Unit Offices and 8,306 human resources, BRAC Bank's operation now cuts across all segments and services in financial industry. With more than 1 Million Customers, the bank has already proved to be the largest SME financier in just 11 years of its operation in Bangladesh and continues to broaden its horizon into Retail, Corporate, SME, Probashi and other arenas of banking. In the year: 2010, BRAC Bank has been recognized as Asia's most Sustainable Bank in Emerging Markets by the Financial Times and IFC.

Recently BRAC Bank has achieved the **International award for "Excellence in Retail**

**Financial Services"**.

BRAC bank Limited, with institutional shareholding by **BRAC, International Finance Corporation (IFC)** and **ShoreCap Exchange**, has been the fastest growing bank for last several years.

### ***Slogan***

The slogan of BRAC Bank is "Astha Obichol". These two words are Bengali words that denote enormous trust on the organization.

### ***Logo***

The logo of BRAC Bank is very indicative in conformance with the goal of the organization. This logo has a square shape which means solid and strong. The golden color indicated the "Sonar Bangla", the rising line denotes the growth of BRAC Bank, and blue is the beautiful sky where the sun is shining brightly.

Shareholding structure of BRAC Bank is given below:

Shareholders	Percentage (%)
BRAC	43.70%
ShoreCap International Limited	0.86%
International Finance Corporation (IFC)	5.36%
Institutions & General Public	50.00%
By Members of BRAC	0.08%
<b>Total</b>	<b>100.00%</b>

Shareholding Ratio of **BRAC BANK LIMITED**

The Board of Directors of **BRAC Bank Limited** includes:

Sir Fazle Hasan Abed	Chairman
Md Rume Ali	Director
Mr. Shib Narayan Kairy	Director
Mr. Quazi Md. Shariful Ala (Nominated By BRAC)	Director
Ms. Nihad Kabir	Independent & Depositor Director
Dr. Hafiz G.A. Siddiqi	Depositor Director
Ms. Tamara Hasan Abed	Director
Mr. Syed Mahbubur Rahman	Managing Director and CEO



## 2.3 Bank's Culture

Bank has adopted trust as a corporate value which is acronym for team work, respect for all people, unquestionable integrity, excellence in everything BRAC Bank of SME do, Sense of urgency in getting things done and total commitment. All employees are expected to conduct themselves in accordance with the rules and regulations of the bank. To make the employees concerned about the rules, regulations and ethics, BRAC Bank Limited operates different training program run by skilled and professionals' trainer of the bank or outsider of the bank.

## 2.4 Business Units

There are five business units generating business for BRAC Bank, they are:

- Corporate Banking Division
- Small & Medium Enterprises
- Retail Banking
- Treasury & Financial Institution
- Probashi Banking

## 2.5 Functional Units

BRAC Bank has 26 departments in three different criteria. Services available in this department (look at the appendix).

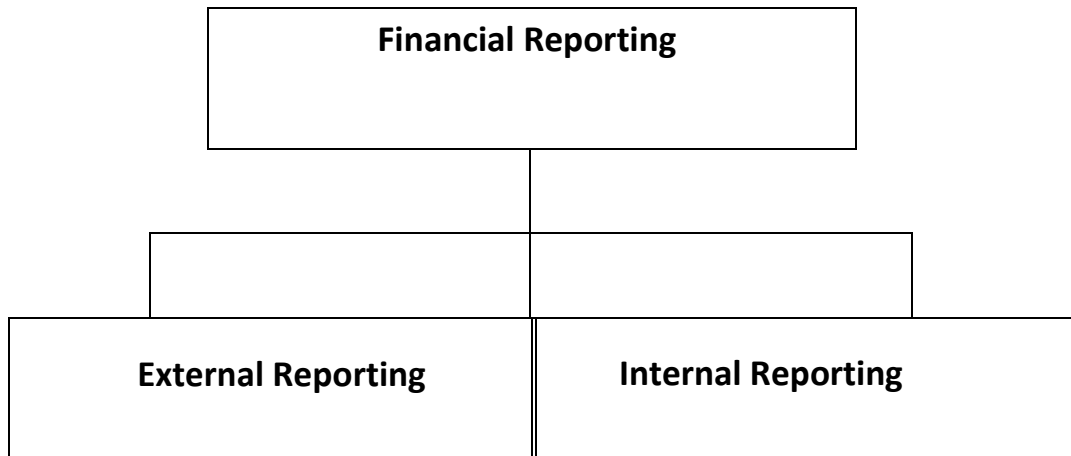
# CHAPTER 3

**= Internship Experience =**

### 3.1 Job Description

I was assigned to work with Financial Reporting under Finance Division. My assigned tasks were mainly related with the preparation of the reports which were sent to the Central Bank.

### 3.2 Overview of Regulatory Reporting



#### External Reporting

##### **Securities & Exchange Commission (Quarterly Reporting):**

Unaudited Financial Statements of BRAC Bank Limited is prepared on Quarterly basis. This report requires be submitting to Securities & Exchange Commission and Publishing into TWO daily news papers (1 Bangla & 1 English) within 30 days of Quarter End & Published into BANKS website. This unaudited financial statement is authorized by CFO & CEO for external submission and publication.

##### **Annual Report (Audited Financial Statements):**

Annual Financial Statements of BRAC Bank Limited is prepared once in a year. This Financial Statement is audited by EXTERNAL AUDITORS. Audited Financial Statement is signed by CFO, CEO, 3 Board of Directors & Audit report, Balance sheet & Profit & Loss accounts are signed by

auditor. Annual report is printed and forwarded to shareholders & AGM is conducted accordingly.

#### **Financial Reports to Bangladesh Bank:**

BASEL – II, Classified Loan, Capital Market Exposure etc. Certain regulatory reporting of Bangladesh Bank is prepared on the basis of Quarterly SEC reporting and all these reports are guided and reviewed. Integration of regulatory reports with SEC reporting and response to Bangladesh Bank clarifications to the extent applicable to financial reporting.

#### **Internal Reporting**

#### **BOARD REPORTING**

##### **Board Memo and Monthly Financial Highlights:**

Monthly financial data from Divisional Flash (i.e. Division wise business performance) is the raw source of the board memo. The memo summarizes the financial facts and gives reasons behind various differences.

#### **MANAGEMENT & BUSINESS REPORTING:**

##### **a) Monthly Highlights on Day 1 –**

On the 1st day of the month, if the system (ERP / Finacle) is properly updated, account-wise Trial Balance as on the last date of the previous month is downloaded to get the whole bank's financial picture at a glance.

##### **b) DIVISION wise business performance:**

Divisional Flash is initially reported to all business division and subsequently it is reported to the BOARD OF DIRECTORS.

##### **c) Statement of Affairs (SOA):**

Statement of Affairs (SOA) of the Bank is prepared on monthly basis and it is reported for both Board & Management reporting. It is also used for monthly ALCO meeting.

**d) Pre month end forecast of monthly result:**

Monthly divisional flash is projected by 25th day of each month and it is reported accordingly.

**e) Operations carried out by Financial Reporting:**

At the end of each quarter, the account statement for Gratuity fund is collected from the system for observing movement of balance. The quarterly MIS is prepared, which contains the following:

- Investment schedule
- Actual & projected interest inflow from the investments
- Cash balance movement during the quarter
- Net asset per member calculation
- Employee / member turnover schedule
- Projected fund flow report
- Final settlement schedule
- Future investment scopes (provided by Treasury)

**f) Presentation into MANCOM (Management Committee) meeting:**

The raw data for board presentation is used for this presentation as well along with some additional interdivisional data. All the presentations are circulated among the concerned

parties within due time (usually one working day earlier).

### **3.3 My Specific Job**

As an intern I was given all the liberty to work in a friendly environment in Financial Reporting under Finance Division, BRAC Bank Limited. I was given specific tasks periodically which were important for the division.

In the starting, I got the idea about my team and their job. I was appointed in the Regulatory reporting team, where the main task is to report to Bangladesh Bank as per the requirement. They do report on BASEL-II, Credit information, Classified Loan, Capital Market Exposure and Deposit information.

After that I started to know in depth about every report and the process they follow in doing those. I remember that I had started with the classified loan report (CL). This report is regarding the condition of a loan. It shows the Lending Portfolio with classified / non classified status. So the requirement would come from Bangladesh Bank by asking about the total outstanding amount, total recovery amount etc. by mentioning month/year. Here I found that they keep all necessary information in a very structured way, so as any requirement comes they are able to provide information effectively and efficiently. I had also done some part of CL report under the supervision of my senior.

The SBS report is about working with the deposit. In 2nd month my reporting manager had given me a task about finding top 20 depositors of BRAC Bank. The process she had shown me was very difficult and time consuming. So I had tried to find a shortcut to solve this task. By some time I found that it can be done in few minute if I do this with the help of pivot table which is a very powerful tool in Microsoft Excel. So I had done this in 15 minutes where it could have taken all day. My manager and colleague were really impressed with my work.

After that I had been given a task to prepare the Thursday position report which is done on a weekly basis as per Central Bank's requirement. At first my senior showed me once how to do it. Then under his supervision from the next week I used to prepare that report. At first I had to download a country trial balance from their internal server; where the trial balance is updated every week. From the trial balance by using VLOOKUP I had to make the weekly report and also had to find out that any new GL had come or not. If there was any new GL then I had to do the adjustment so that debit and credit's sum comes to zero.

Moreover every week and especially on hartal days I had to take several reports to submit them to the Central Bank and also to collect letters from there which were issued for the BRAC Bank.

### **3.4 My Observation**

During the course of my internship program, I have got the opportunity to observe the functions of the Financial Reporting unit and identified the regular tasks of this unit. I came to know about the hard workings of reporting personnel to prepare an annual report. I had also observed how all the concerned personnel are interdependent for reporting and resolve the problem. I also had the opportunity to go to the Bangladesh Bank and see the working environment there. I also learned how to convince these high ranked officers over here and this was a great opportunity for me to face the real hard and cruel corporate world; which indeed is a great learning for me. During this internship period, I've found some critical issues which are as follows:

- Problem occurring due to delay submission of the report (missing the deadline)
- I had seen the harshness of the employee of Bangladesh Bank for making any mistake, even charge money for a mistake.
- The internal clash between the personnel of the same unit and other units as well

- The discrimination of giving performance bonus to the employees (some people got high performance bonus due to networking with others rather than based on performance)
- Dissatisfaction between personnel due to excess work load and poor salary as well
- I have seen the reluctance among some employee in making learn something to another
- I have seen how one personnel plots against another and then behave with that personnel as if he/she is his/her brother/sister
- I have also seen how employees abuse their boss



# CHAPTER 4

**=Rules of the Bangladesh Bank for  
Capital market Exposure=**

## 4.1 Rules of the Central Bank of Bangladesh

- No scheduled bank shall directly engage in share brokerage or merchant banking activities from 1/10/2010.
- Banks shall have to establish separate subsidiary company or companies to carry out share brokerage or merchant banking activities. Banks have to comply with the requirement of maintaining two limits regarding Share holding and Capital market exposure.
- The limits are applicable only for the banks and not for the subsidiary company/companies established for share brokerage or merchant banking activities.

### ■ **Limits:**

#### ➤ Share holding limits

**Individual**- 30% of the paid up capital of the investee or 30% of the paid up capital and reserve of the investor bank whichever is lower.

**Overall** - 10% of the total liabilities.

#### ➤ Capital Market Exposure Limit

10% of the total liabilities can be invested on capital market. Banks shall maintain the individual and overall limits of holding of shares of other companies by way of own investment, liened against some claims or under custody as prescribed in the section 26(2) of the Bank Company Law, 1991.

## 4.2 Share holding limits

### Components which are included in Share Holding are

Shares of different companies (listed in the stock exchange or non-listed) which is purchased by the bank under its own portfolio.

Some points to be remembered about Share Holding Limit:

- Holding of Shares means holding of shares only. It does not include bond, debenture or mutual fund unit.
- Values of holding shall have to be determined by using the market value of the share.
- In case of non listed share, the cost price would be the market value.
- The total liabilities will be determined as of the last base dates i.e. end of March, June, September and December.
- At the time of purchase of a share from the secondary market for own portfolio, a bank should calculate its holding limit for that individual share and the position of the overall holding limit considering the market value i.e. the cost price of that share.
- While taking shares as collateral for loans, banks should ensure that value of the collateral does not exceed the holding limit for that individual share and the position of the overall holding limit.
- Banks should mark to market all the shares (held under own portfolio, liened and custody) everyday and should ensure that both the individual and overall shareholding limits are maintained under the new market value.
- By establishing a separate subsidiary company for share trading banks can take the opportunity for better investment management.

### The calculation for holding limit for a single share is given below with an example

Suppose bank A wants to buy shares of company B. The following information is available:

- Paid-up capital of company B is Tk. 1000 crore.
- Paid –up capital and reserves of bank A is TK. 6000 crore.
- Face value of per-share of company B is TK. 100 and market value per-share is Tk. 600

So the determination of the individual holding limit:

30% of the paid-up capital of company B= TK. 1000 crore X 30%= Tk. 300 crore

30% of the paid-up capital and reserves of bank A =Tk. 6000 crore X 30% =1800 crore

Now shares of company B worth Tk. 300m is the highest amount that bank A can hold ( by the way of ownership, custody or lien) in.

So bank A can buy Tk. 300m/Tk. 600 = 500000 no. of shares.

### 4.3 Capital Market Exposure Limit

Banks total exposure in capital market will be limited to 10% of its Total Liabilities. Banks shall have to follow single borrower exposure limit while giving loan facilities to their subsidiaries and others for merchant banking or brokerage activities.

Let us consider the balance sheet equation –

Assets = Liabilities + Shareholders' equity

Then, Liabilities = Assets – Shareholder's equity

10% of these Liabilities is the limit for total share holding as well as capital market exposure.

■ **BRAC Bank Investment out of its total liabilities**

BRAC Bank investment on its total liabilities from the year 2008 to 2011:

	2011	2010	2009	2008
<b>Total Liabilities</b>	<b>12359.84</b>	<b>10973.82</b>	<b>8697.62</b>	<b>8156.96</b>
<b>Capital Market Investment</b>	<b>399.85</b>	<b>318.80</b>	<b>11.70</b>	<b>10.63</b>
<b>Liabilities/Capital market Investment</b>	<b>3.23</b>	<b>2.90</b>	<b>0.13</b>	<b>0.13</b>

Source: Annual Report of BBL

Investment of BBL out of its total Liability

As per the regulation, Capital market exposure of a bank cannot exceed 10% of its total liability. From the above table it is found that maximum investment of BRAC bank over last 5 years was only 3.23%.

**CHAPTER**  
**5**

**=CAPITAL MARKET EXPOSURE OF**  
**BRAC BANK LIMITED=**

## 5.1 Capital Market Exposure of BRAC Bank

As capital Market Investment has become a very attractive sector for investment by banks around the world. In recent phenomenon in banking industry, this has particularly become important for banks to diversify their investment avenues and opportunities and generate alternate sources of revenues when banks can pour its liquidity in stock market for higher return.

## 5.2 The scope of the Capital Market Investment

Policy would be to guide the investable fund under the shed of BRAC Bank limited ,Treasury & FI division through BRAC Equity Partners Securities Limited to invest in securities, bonds & debentures of 'A' category rates companies (by DSE) for exploiting alternative investing opportunity and generating profit. The purpose of the Capital Market Investment Policy is to provide a framework within which Treasury & FI would invest its funds to trade off its return with risks. The investment policy is prepared considering the risk factors and delegation of appropriate level of authority for effective management of this portfolio. Capital Market Investment policy would lay the framework of investment in Capital Market by BRAC Bank Limited. The objective is to earn maximum return by taking calculative risk.

A Capital Market Investment Committee (CMIC) would be formed to act as per the policy and limit set by the Board. Capital Market Trading Desk may be set under Head of Treasury & Financial institution and would act as per the decision of CMIC.

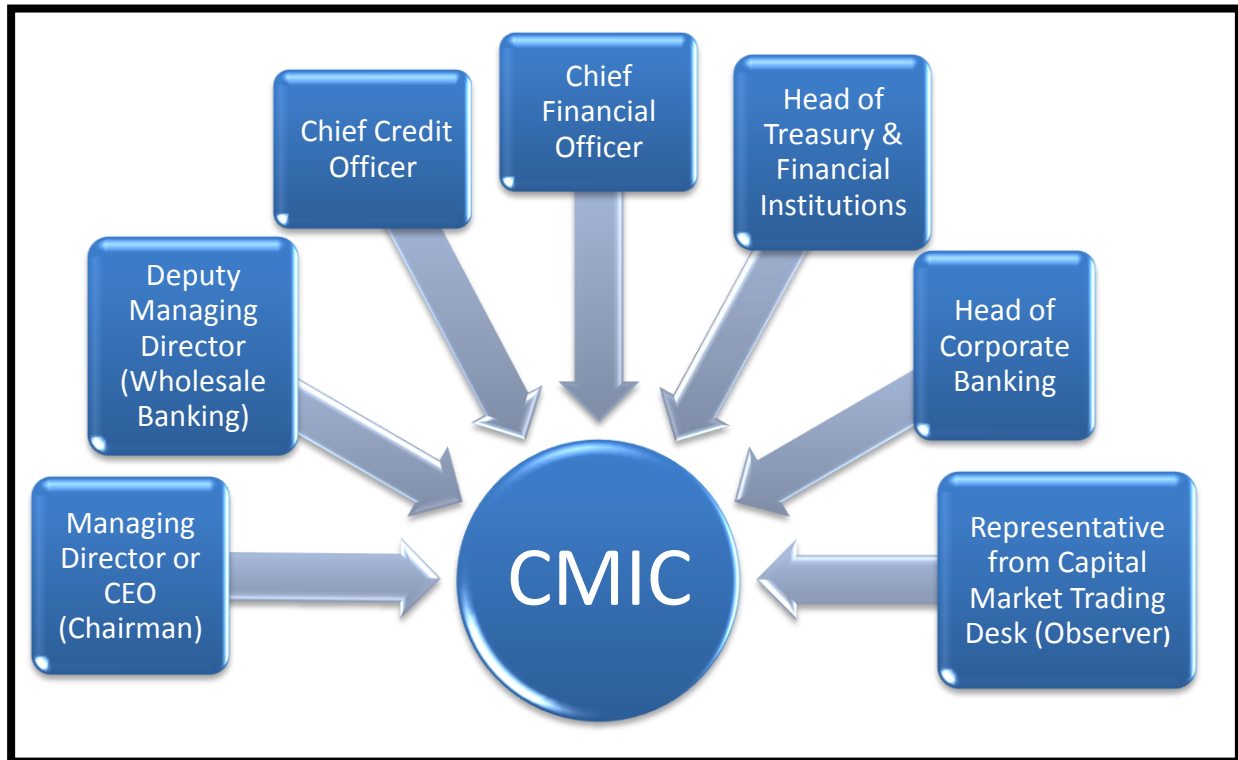
CMIC or its delegated authority would comprise of the following:

- **Managing Director or CEO (Chairman)**
- **Deputy Managing Director (Wholesale Banking)**
- **Chief Credit Officer**
- **Chief Financial Officer**
- **Head of Treasury & Financial Institutions**

- **Head of Corporate Banking**
- **Representative from Capital Market Trading Desk (Observer)**

The above subjects are showed in a graph below:

**Graph: Formation of Capital Market Investment Committee**



**Source: Own Drawing**

Managing Director or CEO or his/her delegated authority would act as head Capital Market Investment Committee. In case of absence of Managing Director or CEO, Deputy Managing Director (Wholesale Banking) acts on behalf of CEO for Capital Market Investment Committee. There should be at least 3 (three) members to be present for the quorum of Capital Market Committee meeting and would set at least once in each month to review the balance and exposure. CMIC may invite expert from BRAC EPL/BRAC EPSL.

At BRAC Bank Limited, managing of securities investment portfolio would be operated under the guidance of Head of Treasury & Financial Institutions. The concern desk would ensure close



monitoring of the investment portfolio with BRAC EPL/BRAC EPSL. CMIC would allocate limit to Capital Market Trading Desk for day-to-day trading through Equity partners Securities Limited.

### **5.3 Operation Unit for Capital Market**

To perform regular capital market activities, an operation unit is placed in BRAC Bank Limited. There are some responsibilities for the desk to ensure a smooth performance in the market. This are-

- Would ensure the investment has been done as per Limits
- Would ensure compliance with established policy and time to time instructions & guidelines provided by regulators
- To undertake regular evaluation of securities as per guidelines of CMIC and regulators
- To keep proper records of Securities Investment Portfolio and Safe custody of Securities, Bonds and other related security documents
- To provide daily transaction and outstanding report to CMIC of Bank's Investments portfolio
- All the deals made over phone will be recorded in the voice Recorder

Organization chart would be formed with the guidance of CMIC and the chart would be reviewed if felt necessary. The Desk would report to the Head of Treasury & FI and would be placed in BRAC Bank Limited.

### **5.4 Rules and Responsibilities of Operations Units**

Job description would be well defined and separated. Key roles and responsibilities of Operations units would be as under:

➤ **Head of Treasury & Financial Institutions**

Would be responsible for all activities performed by Capital Market operational Desk. Responsible for financial strategy plan, trading business, setting individual dealer's positions and dealers remain to all regulations, development of systems etc.

➤ **Dealer of Capital Market Operational Desk**

Responsible for trading of securities portfolio of BRAC Bank Limited, remain within all limit imposed by CMIC time to time, profitability of trading and maintain close co-ordination with BRAC EPL/BRAC EPSL to perform the job.

➤ **Financial Analyst**

Financial Analysis for investment would be done with the help of BRAC EPL/BRAC EPSL Research unit. This would ensure returns on investment portfolio to maximize return this policy. Financial analysis based on through understanding of risk elements, market dynamics and input to Head of Treasury & Financial Institutions and report submit to CMIC on weekly/monthly/quarterly/yearly basis. Operations would be responsible for ensuring of compliance of policy & process such as settlement of transactions, limit monitoring, and record keeping. Manager, Capital Market Operations will report to Head of Banking service, perform accounting, operational or monitoring functions and have the primary responsibility to carry out the functions. Capital Market Investment Desk and Operation personnel would be guided as per their job description.

❖ **Restriction for Capital Market Trading Desk**

These are restrictions that are implied on capital market trading desk-

- Own account trading
- Regulatory reporting
- Pass any accounting entries
- Investment decisions

Personnel engaged in day-to-day operations of stock and securities trading, back office personnel who are settling on trades, should always refrain themselves from disclosing any information regarding the maintained portfolio and executed trades. Head of Treasury & FI and Head of Banking Services would ensure the “CONFIDENTIALITY” of information from their end. Lastly any management report will only be restricted to Capital Market Investment Committee.

## **5.5 Analysis of Capital Market Investment Committee (CMIC)**

The Capital Market Investment management operation is managed by a team of investment professionals and is guided by CMIC. CMIC would continuously review the security portfolio selection process to ensure compliance with the objective set out. In addition, it will pay special attention to the all regularity guidelines on investment as given from time to time and it will also review the portfolio periodically to assess liquidity position and evaluate the risk parameters and would, from time to time, redesign the portfolio. In performing its critical functions, the Committee may conduct at least 3(three) types analysis:

### **❖ Fundamental Analysis**

Fundamental analysis concentrates on macroeconomics, industry and company specific research analysis. This analysis combines valuation techniques, comparative performance analysis of the security, company, industry & market.

### **❖ Technical Analysis**

Technical analysis is the process of analyzing a security’s historical prices in an effort to determine probable future prices. This is done by comparing current price action (e.g. current expectations) with comparable historical price action to predict a reasonable outcome. Although the price of a securities are always determined by the financial performance of stock and industry, Technical analysis captures the price movement of the market index and individual stocks to provide buy-sell or entry-exit signals.

Two most important parameters for technical analysis are:

- **Price Movement:** As the prices of the assets are fluctuating on the daily basis, efficient forecasting of the price movement is a must. It is because if the prices are not forecasted efficiently, the bank may have to incur a loss in their investment which may overall expenditure for the bank.
  
- **Volume Traded:** As amount of trading in the market also creates an effect total volume traded is also considered by them. It is because when buyers buy a large volume of share they affects the price of shares thus it is very important for the bank to consider the trading volume.

#### ❖ Risk Analysis

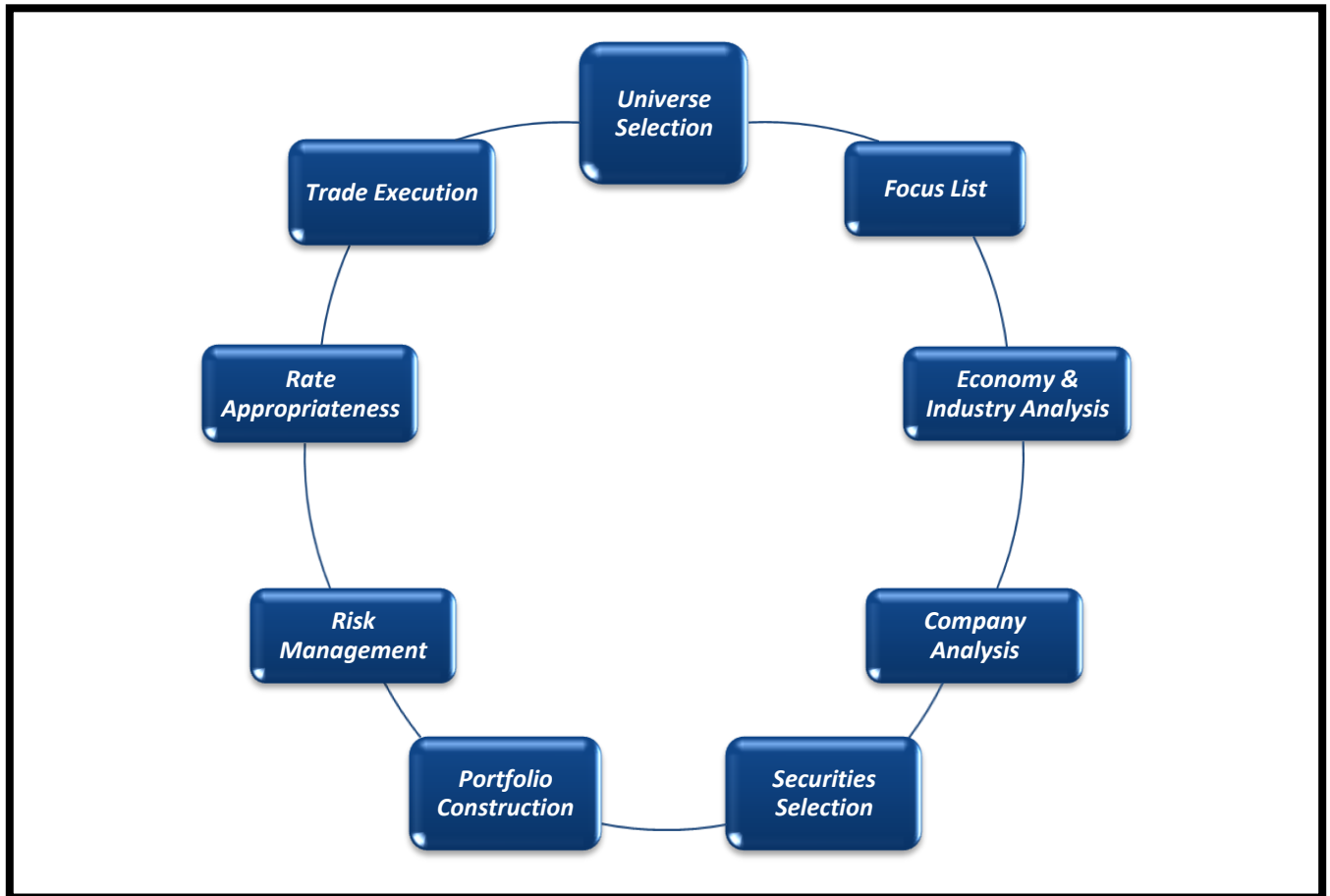
Risk analysis measures and monitors the various risks at the portfolio level. The main task is to reduce unsystematic risk by diversifying the portfolio adequately & efficiently. The outputs of these are then combined to generate the optimum portfolio, which will provide the highest return at given levels of risk. All the above analysis would be done with the help of BRAC EPL/BRAC EPSL Research unit.

### 5.5.1 Steps Followed in Investment Process

While investing, BRAC Bank Ltd. Mainly follows some steps to protect them from any kind of risk or to lessen the risk than its actual amount. Because of that the investment committee has established some crucial steps that should be followed. However these steps are mainly divided into nine steps.

These nine steps are depicted in a graph and further discussed below-

**Graph: Steps in Investment process**



**Source: Own Drawing**

These steps are described below-

**1. Universe Selection**

The first step of investment process begins with identifying the universe of stocks.

**2. Focus List**

The universe of stock is then narrowed down to build a prospective focus list.

This step is usually done in two phases-

- The first phase involves narrowing down the list through a filtering process.
- The second phase involves narrowing the list further through the fundamental research inputs.

### **3. Economy & Industry Analysis**

It involves analysis of macroeconomics trends, analysis on broad market indices, analysis of fund flow trend to formulate sector biases and sector allocations.

### **4. Company Analysis**

This step involves a combination of individual company & security analysis based on multiple parameters, including ratio analysis based on both audited annual report & unaudited quarterly reports, Z score, company valuation, qualitative analysis to identify business trends, competitive outlook and corporate management. These analyses could be supplemented by company visits and information exchange with management.

### **5. Securities Selection**

A list of securities would be selected after company analysis for investment in short, medium and long term basis.

### **6. Portfolio Construction**

The next step is to create an optimum portfolio with the goal of maximizing returns and minimizing risk.

### **7. Risk Management**

This step applies that various risk elements would be considered while choosing investment vehicle. The important risk issues to be considered are investment Risk, Price Risk and Market Risk etc.

## 8. Rate Appropriateness

All security trading has to be dealt at market rate. Any non-execution of sale or buy order provided by the trader should be reported to the Chief Trader.

## 9. Trade Execution

A combination of quantitative strategies and market information would be considered for the trade executions. To this end, there is a panel of brokers to execute its trades in an efficient and confidential manner. Beneficiary Owners (BO) account will be maintained with Equity Partners Securities Limited for Capital Market Trading Purposes. Delegation of different levels authority for investment decision decided by the CMIC and delegated authority performed under the guideline of CMIC.

### 5.5.2 Restriction in investment determined by CMIC

According to the CMIC BRAC Bank Must have a higher investment in ‘A’ category securities and a small amount in ‘B’ category and no investment in ‘Z’ category shares. This information is shown in a table below-

**Table: Restriction in Investment**

Share category	Percentage to invest
‘A’	55%
‘B’	30%
‘N’	15%
‘Z’	0%
<b>Total investment</b>	<b>100%</b>

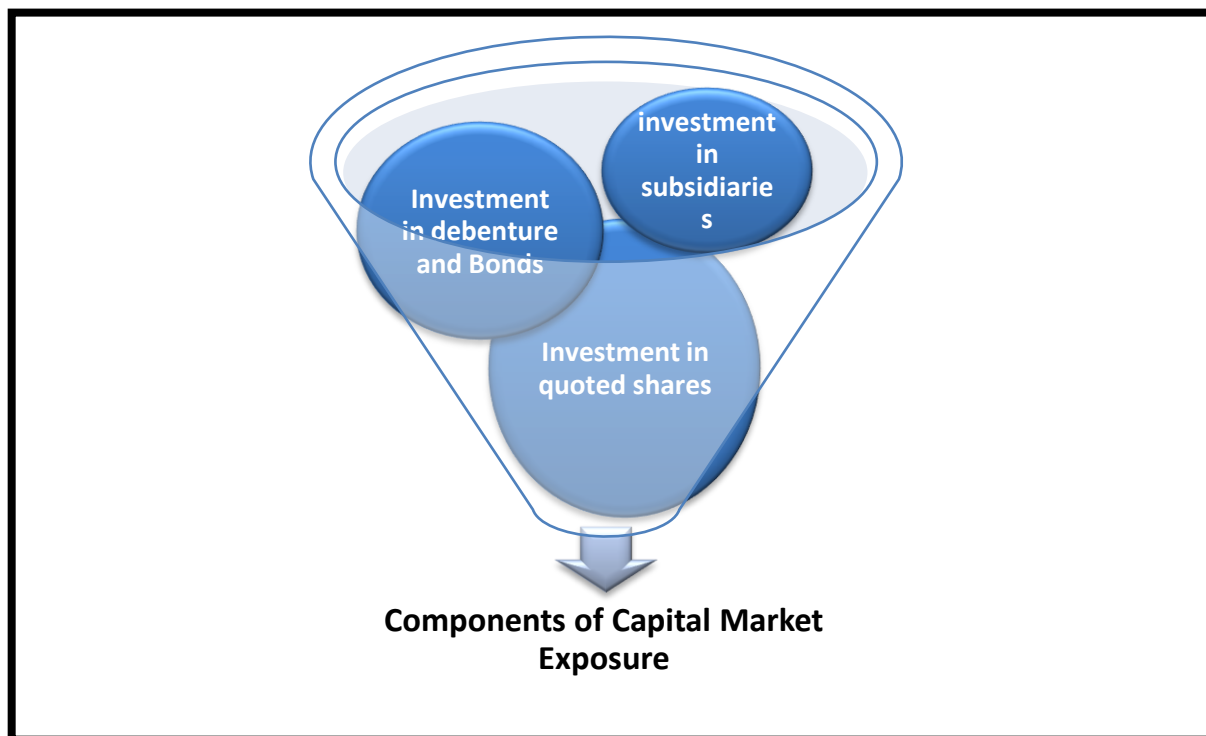
Source: Own Drawing

## 5.6 Components and total capital market exposure of BRAC Bank Limited

There are some components of capital market exposure considered by BRAC Bank. They are-

- a) Investment in debenture and Bonds
- b) Investment to subsidiaries
- c) Investment in quoted shares

**Graph: Components of Capital Market Exposure**



**Source: Own Drawing**

From the graph it can be said that these three components is mingled in order to bring out the output of total capital market exposure. However as it is said before in the chapter 2 that government treasury bond these are excluded in measuring capital market exposure as these are risk less and does not bring any loss or risk for the institutions.



Thus considering the above components the capital market investment of BRAC Bank Limited are

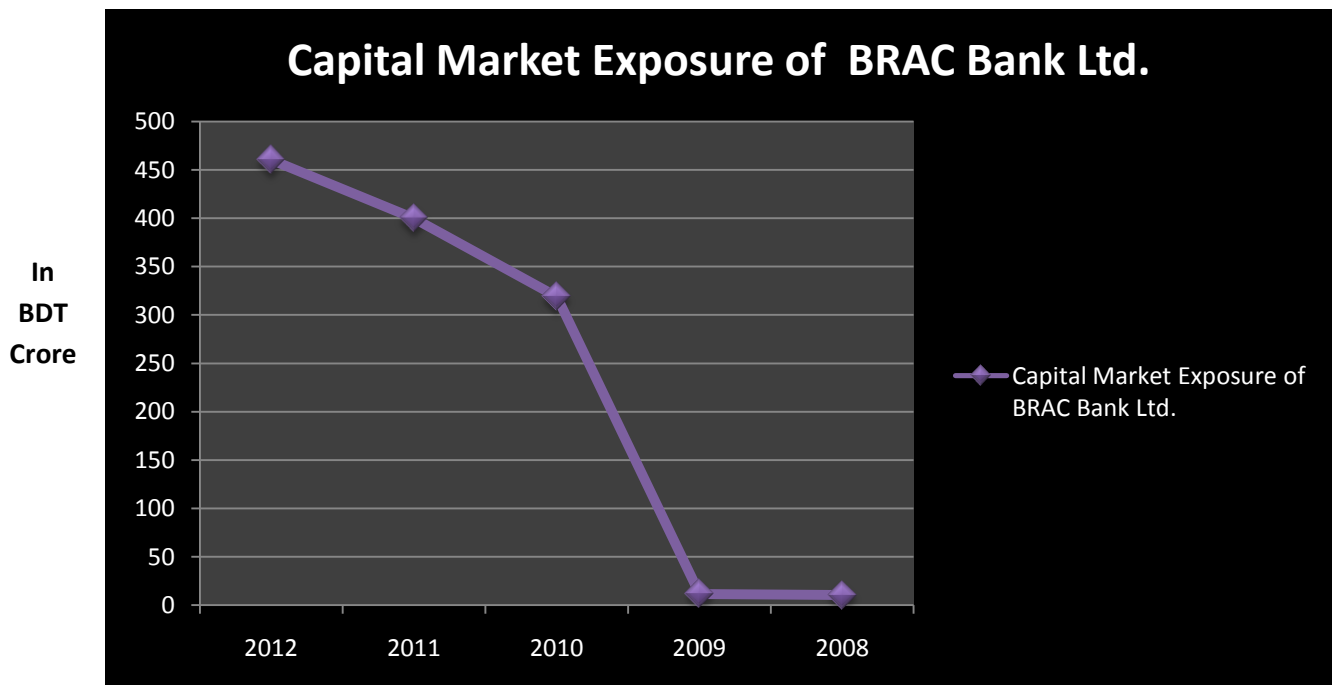
	2012	2011	2010	2009	2008
<b>Capital Market Exposure of BRAC Bank Ltd.</b>	<b>460.33</b>	<b>399.85</b>	<b>318.80</b>	<b>11.70</b>	<b>10.63</b>

(In BDT Crore)

Source: Annual Report of BBL

To have clear idea about the table, a graph is drawn below-

**Graph: Capital Market Investment of BRAC Bank Limited**



It is quite clear from the table that the amount of capital market investment for BRAC Bank Limited has greatly increased in the last five years. Though in the year of 2008 and 2009 there was small increasing but in the last two years it has increased greatly.

## **5.7 Comparison of Capital Market Exposure of BRAC Bank with Other Commercial Banks**

Though it is depicted above that the capital market investment of BRAC Bank Limited is increasing but it needs to figure out their state with other commercial banks of Bangladesh. For that three other commercial scheduled banks are chosen based on their performance level as of BRAC Bank Ltd. They are-

- Prime Bank Ltd.
- One Bank Ltd.
- Eastern Bank Ltd.

As BRAC Bank believes in centralized banking, the above banks are most competitive to BRAC Bank Ltd which is why these banks are chosen. Now each of the bank will be individually compared with their state of capital market exposure with BRAC Bank Ltd. And after that an overall comparison will be made to have a clear idea about total capital market investment of BRAC Bank Ltd. It should be noted that the components of capital market investments of all the banks will be kept for the analysis.

## **5.8 Comparison and Analysis of Capital Market investment between BRAC Bank Ltd and Prime Bank Limited**

As a fully licensed commercial bank, Prime Bank conceived an idea of floating a commercial bank with different outlook. For them, it was competence, excellence and consistent delivery of reliable service with superior value products. Accordingly, Prime Bank was created and commencement of business started on 17th April 1995.

To compare the capital market exposure between Prime Bank Limited and BRAC Bank Limited first we need to observe the capital market investment of Prime Bank Limited in the last few years.

The investment is shown in table below-

	2012	2011	2010	2009	2008
<b>Capital Market Exposure of Prime Bank Ltd.</b>	<b>471.38</b>	<b>464.83</b>	<b>148.48</b>	<b>60.00</b>	<b>147.95</b>

In BDT Crore

Source: Prime Bank Limited Annual Report

Now to compare between these two banks, their total capital market exposure is shown in a table below-

Investment	BRAC Bank					Prime Bank				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
<b>Debentures</b>	-	-	33.41	5.00	5.00	1.5	2.00	2.50	3.50	3.00
<b>Bonds</b>	-	43.00	50.00	-	-	59.58	77.50	31.11	40.09	42.03
<b>Shares</b>	5.51	39.12	2.64	2.70	2.18	29.00	5.82	115.37	17.29	102.92
<b>subsidiaries</b>	454.82	317.73	232.74	4.00	3.45	380.84	379.45	-	-	-
<b>Total=</b>	<b>460.33</b>	<b>399.85</b>	<b>318.80</b>	<b>11.70</b>	<b>10.63</b>	<b>470.92</b>	<b>464.77</b>	<b>148.98</b>	<b>60.88</b>	<b>147.95</b>

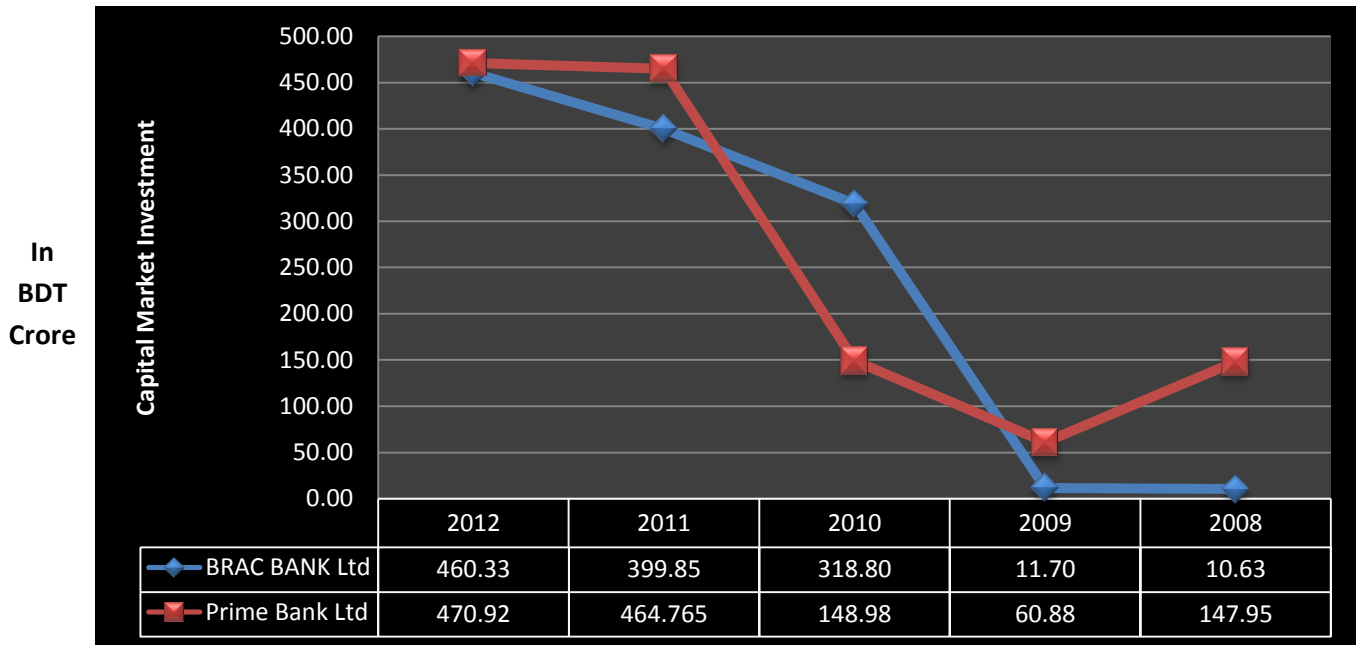
In BDT Crore

Source: Own drawing

The amount in rows labeled as 'Total' is the summation of the yearly investment's column. It indicates the amount of money the bank has invested in a certain years. The amounts of investments in each segment are shown in the row and the segment which is not invested in a particular year is kept blank.

Based on the above data a graph can be drawn-

**Graph: Comparison of Investment**



Source: Own drawing

➤ **Analysis of Investment between Prime Bank Ltd and BRAC Bank Ltd**

As we can see in the above graph that capital market investment of Prime Bank Limited is higher than BRAC Bank Ltd. It is because Prime Bank Ltd has much more investment in Shares than BRAC Bank Ltd. Though their investment in subsidiaries is less than BRAC Bank Ltd but due to their share investments as well as investment in debentures has made it possible for them to keep a greater investment than BRAC Bank Ltd. We can see from the graph that in the year of 2009, Prime Bank had lessened their investment but in the next year they increased their investment up to 250% to keep pace in their investment processes.

Thus the analysis between these two banks refers us that though the investment in components between these two banks are different but their amount of exposure in the capital market are quite same.

## 5.9 Comparison and Analysis of Capital Market investment between BRAC Bank Ltd and One Bank Limited

ONE Bank Limited was incorporated in May, 1999 With the Registrar of Joint Stock Companies under the Companies Act. 1994, as a commercial bank in the private sector. The Bank is pledge-bound to serve the customers and the community with utmost dedication. The prime focus is on efficiency, transparency, precision and motivation with the spirit and conviction to excel as ONE Bank in both value and image. The name 'ONE Bank' is derived from the insight and long nourished feelings of the promoters to reach out to the people of all walks of life and progress together towards prosperity in a spirit of oneness. The capital market investment of ONE Bank Ltd. For the last 5 years is-

	2012	2011	2010	2009	2008
<b>Capital Market Exposure of One Bank Ltd.</b>	<b>140.76</b>	<b>159.63</b>	<b>154.29</b>	<b>166.52</b>	<b>173.34</b>

In BDT Crore

Source: Annual Report of OBL

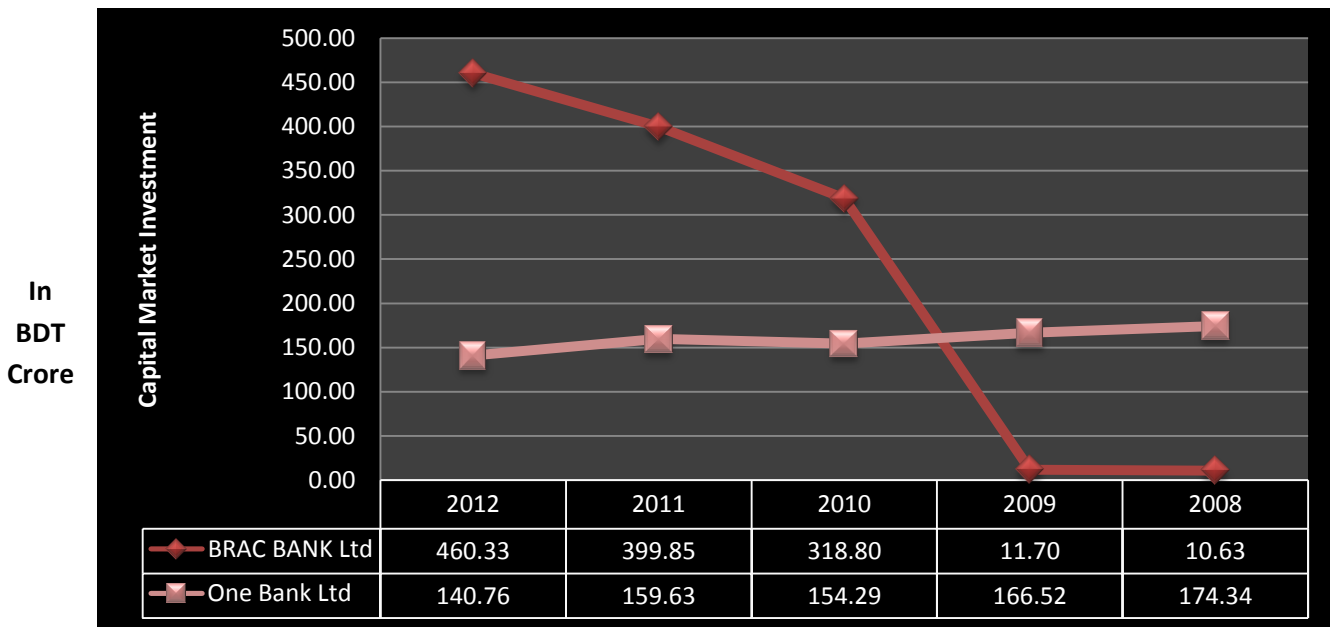
Now comparing the investment of ONE bank Ltd. With the investment of BRAC Bank Ltd-

Investment	BRAC Bank					One Bank				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
Debentures	-	-	33.41	5.00	5.00	-	-	-	-	-
Bonds	-	43.00	50.00	-	-	25.00	26.00	30.00	-	-
Shares	5.51	39.12	2.64	2.70	2.18	115.76	133.63	124.29	166.52	174.34
subsidiaries	454.82	317.73	232.74	4.00	3.45	-	-	-	-	-
<b>Total=</b>	<b>460.33</b>	<b>399.85</b>	<b>318.80</b>	<b>11.70</b>	<b>10.63</b>	<b>140.76</b>	<b>159.63</b>	<b>154.29</b>	<b>166.52</b>	<b>174.34</b>

In BDT Crore

Source: Own drawing

These are shown in graph below-



**Graph:** Comparison of Investment

Source: **Own drawing**

➤ **Analysis of Investment between One Bank Ltd and BRAC Bank Ltd**

From the above graph it is quite clear that One Bank Limited is indifferent to their investment in capital market. They are maintaining a horizontal trend with a small amount of fluctuation in their investment. On the other hand BRAC Bank Ltd has a larger investment in capital market than ONE Bank Ltd. The reason of less investment of One Bank Ltd. is also clear as they have no investment in debenture and subsidiaries unlike BRAC Bank Ltd. Rather they have a higher investment in purchasing shares from the market.

## 5.10 Comparison and Analysis of Capital Market investment between BRAC Bank Ltd and Eastern Bank Limited

With a vision to become the bank of choice and to be the most valuable financial brand in Bangladesh, Eastern Bank Ltd. (EBL) began its journey in 1992. Over the years EBL has established itself as a leading private commercial bank in the country with undisputed leadership in Corporate Banking and a strong Consumer and SME growth engines. EBL's ambition is to be the number one financial services provider, creating lasting value for its clientele, shareholder, employees and above all for the community it operates.

The capital market investment of Eastern Bank Ltd is-

	2012	2011	2010	2009	2008
<b>Capital Market Exposure of Eastern Bank Ltd.</b>	<b>310.65</b>	<b>321.8</b>	<b>286.7</b>	<b>97.20</b>	<b>162.44</b>

In BDT Crore

Source: EBL Annual Reports

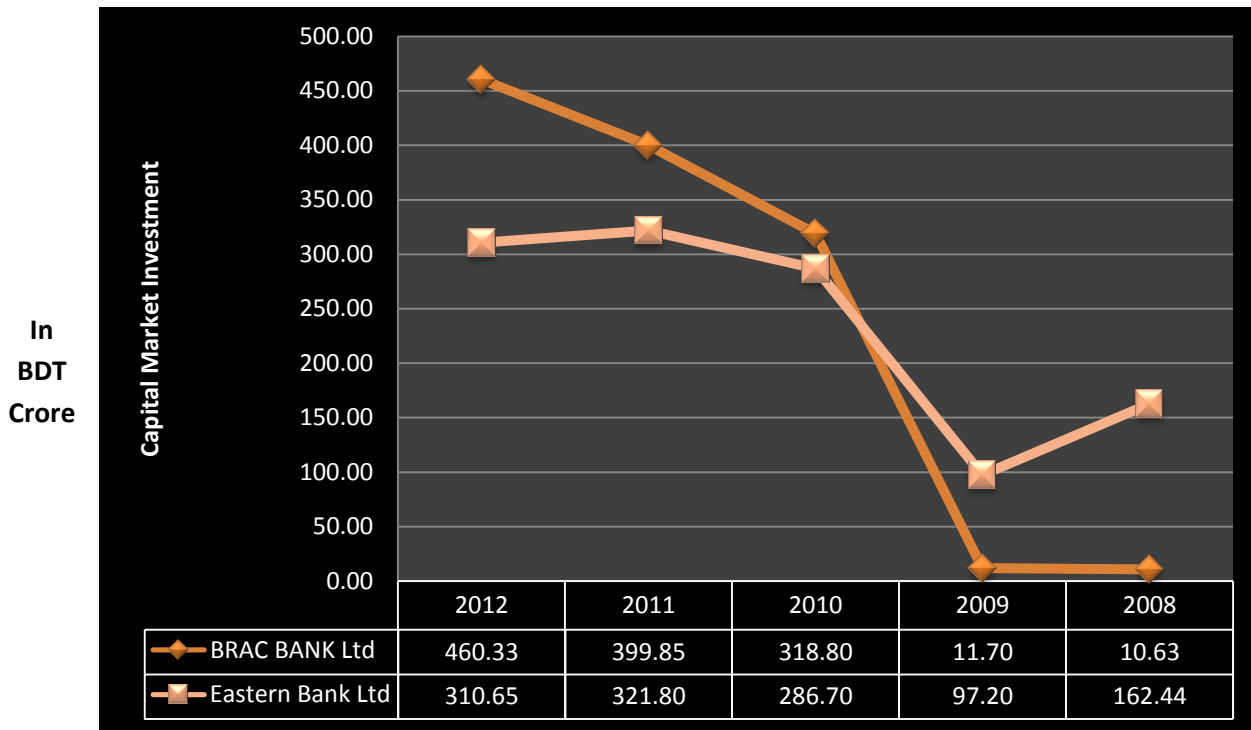
Now the comparison of investment between BRAC Bank Limited and Eastern Bank Limited will be shown in a graph-

Investment	BRAC Bank					Eastern Bank				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
<b>Debentures</b>	-	-	33.41	5.00	5.00	5.40	5.40	7.10	9.30	11.50
<b>Bonds</b>	-	43.00	50.00	-	-	45.00	34.00	30.00	-	150.00
<b>Shares</b>	5.51	39.12	2.64	2.70	2.17	260.25	282.4	249.60	87.90	0.94
<b>subsidiaries</b>	454.82	317.73	232.74	4.00	3.45	-	-	-	-	-
<b>Total=</b>	<b>460.33</b>	<b>399.85</b>	<b>318.80</b>	<b>11.70</b>	<b>10.63</b>	<b>310.65</b>	<b>321.8</b>	<b>286.7</b>	<b>97.20</b>	<b>162.44</b>

In BDT Crore

Source: Own drawing

Graph based on the above table is-



Graph: Comparison of Investment

Source: Own drawing

➤ **Analysis of Investment between One Bank Ltd and BRAC Bank Ltd**

From the graph we can say Eastern Bank had a large investment in the previous year which was up to 159 Crore higher than the year 2008. But as years passes they are increasing their investment and their investment has risen to 321 Crore in 2011. But their investment has fallen in year 2012 due to the decrease in the investment of the quoted shares. Because of that in 2012 they have 148% less investment than BRAC Bank Ltd.

## 5.11 Overall Measurement

Through this all the chosen bank will be compared along the BRAC Bank Limited and all of them will be analyzed as well as Investments will be criticized.



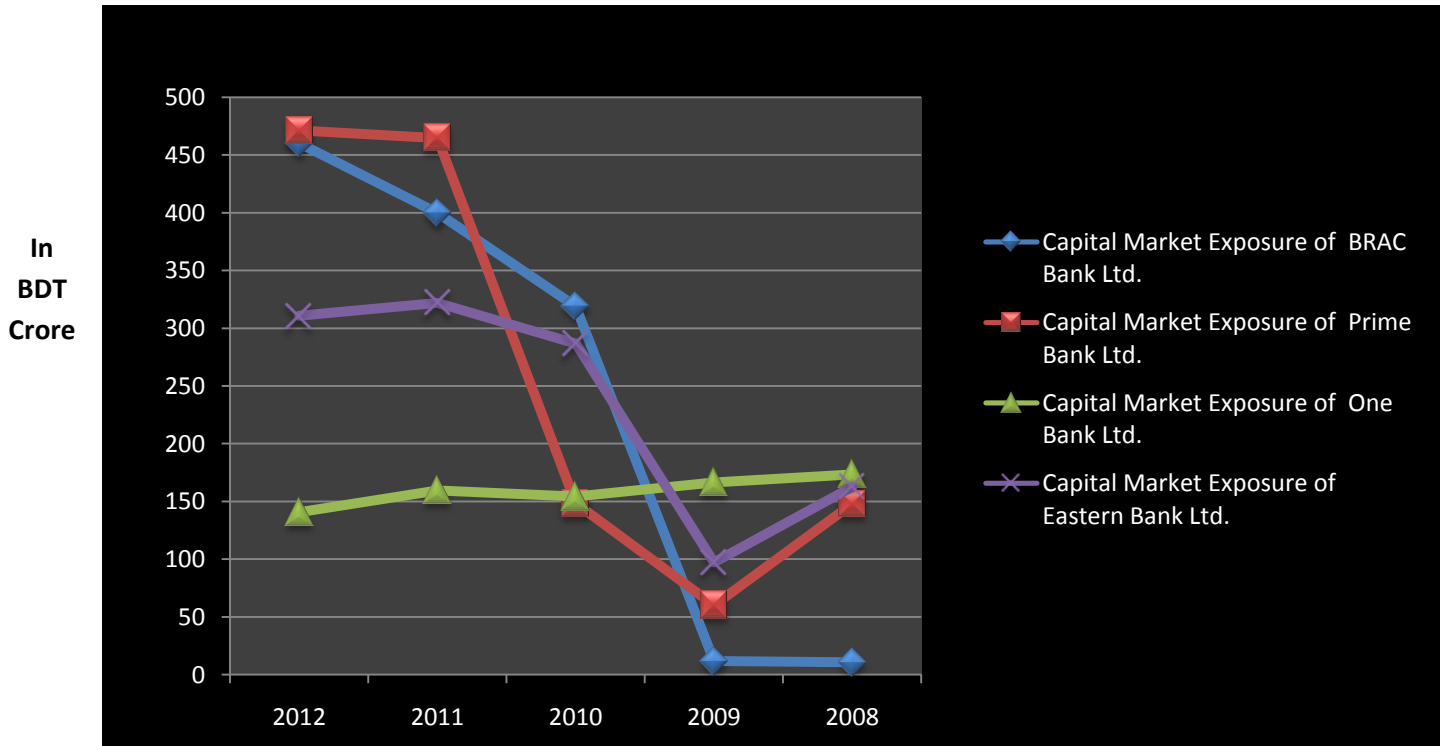
At first capital market investment of all the are shown below in a table-

	2012	2011	2010	2009	2008
Capital Market Exposure of BRAC Bank Ltd.	460.33	399.85	318.80	11.70	10.63
Capital Market Exposure of Prime Bank Ltd.	471.38	464.83	148.48	60.00	147.95
Capital Market Exposure of One Bank Ltd.	140.76	159.63	154.29	166.52	173.34
Capital Market Exposure of Eastern Bank Ltd.	310.65	321.8	286.7	97.20	162.44

In BDT Crore

Source: Annual Reports of the banks

The Above Data can be shown in a graph



Graph: Comparison of Investment

Source: Own drawing

## ■ Analysis of investment among the Banks

From the above table it is quite clear that among the four centralized bank Prime Bank Limited has the most investment in capital market in the last 2 years. After Prime bank, BRAC Bank takes the second place among them with an amount of investment of 460.33 crore taka which is much greater than the investment of Eastern Bank and One Bank. Also BRAC Bank has kept an increasing trend in terms of their capital market investment each year of last five years. This increasing trend is quite expected from BRAC Bank limited as long as they have increased the amount of their investment in their subsidiaries than the three other banks. Thus it can be said in a line that BRAC Bank has kept smooth trend in their capital market investment.

## Review of Policy

- As per BRPD Circular No. 14 dated 25 June 2003, provision should be made, for all the investments traded in stock exchange having any diminution value of investment after revaluation.
- As per BRPD Circular No. 25 dated 25 June 2003, all investments in shares and the securities should be revalued at the year end. The traded stocks and securities should be revalued at the market price of the stock exchange.
- Regulatory report and internal report to management will be provided according to the circular and requirement respectively. Treasury Operation shall provide all the report to all relevant regulatory bodies as per their requirement.
- The policy would be reviewed by CMIC as and when required and affect any changes if the committee feels necessary. Also all rules, regulation and guidelines from the regulatory bodies are subject to change and the policy will be governed by the updated rules, regulation and guidelines.

## Recommendation

As we know investing in capital market is profitable so banks are more likely to increase their capital market investments. Though BRAC Bank Ltd. has a smooth increasing trend in terms of capital market investments, but still their investments are not the highest. In the future it can be possible as the bank is investing more in subsidiaries they have reduced investment in shares. Without decreasing the investments in shares if they can keep their investments increasing in both subsidiaries and shares then there is a high possibility of having much higher capital market investment. Moreover for the last two years they have stopped investing in debentures, which can also be an element to increase capital market investment. Without focusing much on subsidiaries if they also invest efficiently in debentures, bonds and shares then they can hold a top rank in the capital market investment. As a result the banks' share price might also increase.

## Conclusion

BRAC Bank intends to set standards as the market leader in Bangladesh. It will demonstrate that a locally owned institution can provide efficient, friendly and modern full service banking on a profitable basis. To make this successful, the management committee is always thinking and working to improve the performance of the bank relentlessly. BRAC Bank and its other members have a clear vision of achieving 3Ps (People, Planet and Profit) philosophy in each and every activity to build a better and challenging financial future. It will produce earnings and pay out dividends that can support the activities of BRAC Bank Limited and its major shareholders. Development and poverty alleviation on a countrywide basis needs mass production, mass consumption and mass financing. The goal of BRAC Bank Limited is to provide mass financing to enable mass production and mass consumption, and thereby contribute to the development of Bangladesh. It was an honor to get the opportunity of working as an intern in a reputed organization like BRAC Bank Limited. I hope that the knowledge and experience I've collected throughout the internship period, will help me a lot in the future.

# Appendix

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## Functional Units

BRAC Bank has 26 departments in three different criteria. They are given below:

- **Business Units**
  - **SME Banking**
  - **Retail Banking**
    - ✓ Branch Banking
    - ✓ Retail Banking
    - ✓ Liability & Wealth Management
    - ✓ Premium Banking
    - ✓ Cards
    - ✓ Alternative Banking
      - Automated Banking
      - Phone Banking
    - ✓ Retail Distribution
    - ✓ NFB & Secured Assets
    - ✓ ADC
    - ✓ Unsecured Assets
    - ✓ Service Quality/Business Intelligence
    - ✓ Collections
    - ✓ Cross Selling
    - ✓ Regional Distribution
  - **Corporate Banking**
    - ✓ Corporate Institutions
      - Large Corporate
      - Local Corporate
      - Emerging Corporate

- ✓ Structured Finance
  - Agency Unit
- **Cash Management Services**
  - ✓ NCS (Nationwide Collection System)
  - ✓ PTS (Payment Transfer System)
  - ✓ Factoring or Bill discounting (Both for distributors and Suppliers)
  - ✓ Mobile Banking
  - ✓ Cash pick up and drop
- **Trade Finance Services:**
- **Cards**
- **Treasury & Financial Institution**
  - ✓ Money Market Desk:
    - Management of Statutory Reserves viz. Cash Reserve Ratio (CRR) & Statutory Liquidity Ratio (SLR).
    - Daily Funds & Liquidity Management.
    - Investment Management.
- **Marketing & Corporate Affairs**
- **Support Unit**
  - **Company Secretariat & Regulatory & Internal Control**
  - **Enterprise Risk Management**
  - **Credit**
  - **Human Resource Division**
  - **Financial Administration**
  - **Impaired Assets Management**
  - **Complaint Handling Cell.**
  - **Credit Inspection Team**

- **Operational Unit**
  - **Retail Banking Operations**
  - **SME Banking Operations**
  - **Wholesale Banking Operations**
  - **Probashi Banking Operations**
  - **Cards Operations**
  - **Business Solutions**
  - **Technology**
  - **General Infrastructure Services**
  - **Central Operations**
  - **Call Center**
  - **PSO & MIS Operations**
  - **Information Technology Unit**

These are the functional units of BRAC Bank Limited. Every function have been divided according to their place but as BRAC Bank Limited follows centralized banking processes, the decisions for every division comes out from the board.

### **The following websites were followed while collecting information-**

- ✓ [www.bracbank.com](http://www.bracbank.com)
- ✓ [www.primebank.com.bd](http://www.primebank.com.bd)
- ✓ [www.onebankbd.com](http://www.onebankbd.com)
- ✓ [www.ebl.com.bd](http://www.ebl.com.bd)
- ✓ [www.bangladesh-bank.org](http://www.bangladesh-bank.org)