

AN INTERNSHIP REPORT

ON

**“MERCHANT BANKING OPERATION
OF SOUTHEAST BANK LIMITED: A
NEW DIMENSION”**



Southeast Bank Limited

A BANK WITH VISION

INTERNSHIP REPORT ON
Merchant banking operation of southeast bank
limited- A new dimension

Prepared For:

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Prepared By:

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Major in Human Resource Management
Master of Business Administration
BRAC UNIVERSITY BANGLADESH

DATE OF SUBMISSION: 4th May, 2015



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LETTER OF TRANSMITTAL

4th May, 2015

To,

S.M. Arifuzzaman
Assistant Professor
BRAC Business School
BRAC University Bangladesh

**Subject: Submission of Internship Report on Merchant Banking
operation of Southeast Bank Limited: A New Dimension.**

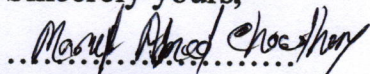
Dear Sir,

It is my pleasure to present the internship report on “**Merchant Banking Operation of Southeast Bank Limited: A New Dimension**”. This was assigned to me a partial requirement for the completion of the MBA program. I have tried to combine the both primary and secondary data with my own investigation in order to come up with a complete report. In spite of several constraints, I have given my efforts to make this report a meaningful one.

I hope and sincerely believe that this report will serve the purpose of my internship with my real life exposure in this institution with my acquired knowledge that I have earned. My effort will be rewarded only if it adds value to the research literature.

Thanks you again for valuable direction and co-operation.

Sincerely yours,



Maruf Ahmed Chowdhury
Master of Business administration
Major in human Resource Management
ID: 12364055

STUDENTS DECLARATION

I, Maruf Ahmed Chowdhury, student of Master of Business Administration (MBA), has completed my major in Human Resource Management from BRAC University Bangladesh do hereby declare that this Internship Report on “**Merchant Banking Operation of Southeast Bank Limited: A New Dimension**” has been prepared by me on the basis of provided information and my work experience and observation in Southeast Bank Capital Services Limited during my internship period.

I also declare that this paper is my original work and has not been copied from any other sources.

Maruf Ahmed Chowdhury
Master of business Administration
Major in human Resource Management
ID: 12364055

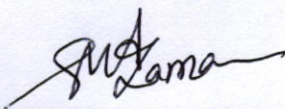
SUPERVISOR'S DECLARATION

I am pleased to announce that the report presented by Mr. Maruf Ahmed Chowdhury, entitled as "**Merchant Banking Operation of Southeast Bank Limited: A New Dimension**" has been approved for the presentation and viva voce.

I am also pleased to certify that, the data and findings presented in this report was authentic and genuine work of Maruf Ahmed Chowdhury and can be presented for further academic commendation and viva voce.

I hereby declare that the concerned report entitled as "**Merchant Banking Operation of Southeast Bank Limited: A New Dimension**" is an original work by Maruf Ahmed Chowdhury, ID:12364055, major in Human Resource Management, Master of Business Administration, BRAC University Bangladesh. He has completed this report under my supervision and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration (MBA) from BRAC University Bangladesh.

Maruf Ahmed Chowdhury bears a good moral character and a pleasing personality. It was very nice working with him. I wish him all success in life.



S.M Arifuzzaman
Assistant Professor
BRAC Business School
BRAC University Bangladesh

ACKNOWLEDGEMENT

At the very beginning I pay my gratitude to The Almighty Allah for giving me the ability to work hard successfully.

The project would have not been possible without the help and encourage of a number of individuals:

I would like to express my gratitude to my supervisor S.M. Arifuzzaman sir, Assistant Professor, BRAC Business School, BRAC University Bangladesh. Without his guidance and valuable suggestion it would have been very much difficult for me to complete the report

I am very much thankful and like to express my gratitude to Md. EbnaReaz (Principal Officer) of Merchant Banking Wing of South East Bank Ltd. Head Office Dhaka, for giving me the opportunity to prepare my internship report by providing me available data from this bank.

I express my sincere gratitude to, Mr. Md. Alamgir Hossain, Senior Assistant Vice President, Merchant Banking Wing of South East Bank Ltd. Head Office Dhaka, who helped and encouraged me to perform my duties successfully.

Sincere gratitude to all the Bankers of the branch who were really very much friendly and co-operative to me in solving any problem raised during my study.

Finally I would like to thank again to all concerned for supporting and encouraging me for a successful completion of my MBA program as well as Internship program.

EXECUTIVE SUMMARY

The analytical presentation of the report is based on my internship experience. The management of Southeast Bank Limited has assigned me in the project named **“Merchant Banking Operation of Southeast Bank Limited: A New Dimension”** after official correspondence with SEBL and the organization I work in Bay Leasing Investment Ltd.

Southeast Bank Limited started its operation in mid-1995 and has since been able to establish the one of the largest network of 85 branches among the first generation banks in the private sector. I was assigned to work in SEBL Merchant Banking Wing, Dhaka. The Period I worked there is from January 15, 2015 to April 30, 2015. A great deal of learning and on the job experience was gained by working in different department of the branch. The staff and the management were extremely cooperative and friendly to me.

Corporate Branch concentrates on the full services of consumer banking such as, merchant bank wing and remittance. The procedure of the banking operation is major fact for the success of the bank in this competitive market. SEBL provide better and quick service to its clients. Continuous improvement, gaining the competitive edge, increase market share, higher profit none of these things are possible unless they can find new way of getting closer to the customers. SEBL various departments like, merchant bank wing, General Banking, Foreign Exchange, Credit Management works

as a team for the success of the organization. Thus by providing a various type of distinctive services Corporate Branch, SEBL is playing a vital role.

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CHAPTER-ONE

1. Introduction

The internship program of Masters in Business Administration is an important requirement to take a taste of real life challenge conducted by the intern. It is an important part of the MBA program. This program stands for 3 months duration. The period for this program was from January 2015 to April 2015. During this period I have worked closely with the employees of the Bank in Head office (Dilkusha,Dhaka-1000). This report presents the outcomes of the study during the internship – Southeast Bank Limited where I have presented a new topic- **Merchant Banking Operation of Southeast Bank Limited.**

2. Origin of Reports

To full fill the Master's degree requirement under BRAC University Bangladesh, this report has been prepared. This is an individual assignment, which is to be prepared on the basis of the practical working experiences after working at least three month under an organization as a intern.

3. Objectives

The main objective of the report is to know about the Merchant Banking Wing of Southeast Bank and get an overall idea about this bank this report is done according to its mission; there are too many objectives. The objectives of this study can be summarized as follow:

- The broad objective of this report is to fulfill the requirement for achieving the Masters in business Administration degree from BRAC University Bangladesh.
- To know about the banking environment of the Southeast bank at corporate Branch.
- To get a crystal clear scenario about the merchant banking wing of southeast bank.

4. Methodology

Methodology can be termed as underlying principles and rules of organization that work at the background of the study. It clarifies the problem involving the research in an ordered and systematic way. In this report the data I have collected for the purpose of making this report was collected from the primary source which is the institution itself and its respected employees who has helped me by providing valuable and confidential data for the successful completion of this report.

5. Limitations of the study

Working as an intern in the Merchant Banking Wing division in the Southeast Bank, in the study field I am face some problems or constraints of the study. They are as follows:

- All kinds of documents or paper related with my study are not sufficient.
- The Bankers do not provide all the information for their confidential Purpose.

- Most of the time up to date information is not provide by the banker.
- Merchant Banking wing new division of SEBL, So, not collected available financial information.

CHAPTER-TWO

1. HISTORICAL BACKGROUND:

Southeast bank limited is schedule commercial bank in the private sector established under the ambit of Bank Company Act, 1991 and incorporated as a public limited companies act 1994 on March 12, 1995. The bank started commercial banking operations on May 25, 1995. During this short span of time bank is successful in itself as a progressive and dynamic financial organization in the country. The bank had been widely acclaimed by the business community, from entrepreneurs to large traders and industrial conglomerates, including the top rated corporate borrowers for its forward looking business outlook and innovative financial solutions. Thus within very short period of time it has been able to create image and earn significant reputation in the country-banking sector as a bank with vision.

Southeast Bank Limited has been licensed by the Government of Bangladesh as a Scheduled commercial bank in the private sector in pursuance of the policy of liberalization of banking and financial services and facilities in Bangladesh. In view of the above, the Bank, within a period of 14 years of its operation, achieved remarkable success fully meeting capital adequacy requirement of Bangladesh Bank. As evident from the financial statements for the last 10 years, it has been growing rapidly as one of the leaders of the new generation banks in the private sector in term of business and profitability.

2. Associates in corporate Governance

2.1 Auditors

Hoda Vasi Chowdhury & CO.
Chartered Accountants
BTMC Bhaban (8th Level)
7-9, Kaeran Bazar C/A
Dhaka 1215, Bangladesh

2.2 Legal Advisors

The Law Syndicate
DCCI Building (6th Floor)
65-66, Motijheel C/A
Dhaka 1000, Bangladesh

2.3 Tax Advisors

Howladar, Yunus & Co.
Chartered Accountants
67, Dilkusha C/A (2nd floor)
Dhaka-1000, Bangladesh

2.4 Credit Rating Agency

Credit Rating Information and services Ltd
Nakshi Homes (4th & 5th floor)
6/1A, Topkhana Road
Segunbagicha
Dhaka-1000, Bangladesh

3. NAME OF THE (46) BRANCHES:

- Principal Branch
Dilkusha C/A, Dhaka –1000. (Ground Floor)
- Agra bad Branch
Jahan Building, 59 Agra bad C/A, Chittagong.
- Khatunganj Branch
410/411, Khatunganj, Chittagong.
- Laldighirpar Branch
1778/1779, New Market, Sylhet.
- Imamganj Branch
Bhuiyan Market, 163/2, Metford Road, Dhaka.
- Bangshal Branch
14/3 North South, Road, Dhaka.
- Shyamoli Branch
Asa Tower (2nd Floor) 23/3 & 23/14 Khilji Road, Shamoli, Dhaka.
Jubilee Road Branch Gaji Golam Rasul Market, 96, jubilee Market,
Chittagong.
- Moulavibazar Branch
124/1 Central Road, Moulvibazar.
- Gulshan Branch
House #82 CES (F),1, Gulshan Avenue,Dhaka.
- Khulna Branch
155,Sir Iqbal Road Khulna.
- Dhanmondi Branch
HOUSE # 23(New) Road (New)/27(Old) Dhanmondi R/A, DHAKA.
- Uattra branch
House # 1,Road # 11,Sector # 1,Uttara, Dhaka-1230.

- Chouhatta branch
Plot# 4953/4943 Manru Shopping City (1st Floor) Chouhatta,
Mirboxtoal Road, Chouhatta Sylhet.
- Kawranbazar Branch
Pragati-RPR Center, 20-21, Kawran Bazar (1st Floor) Dhaka-1215.
- Haliashahar Branch
House# 02 (1st Floor) Road# 03, Lane #03 Block-k
Haliashahar Housing Estate
- Shahjalal uposhahar Branch
Plot#07 Block-D, Main Road Shahjalal uposhahar, Sylhet
- New Eskaton Branch
Chowdhury Center 23/Ka, New Eskaton, Road, Dhaka
- 3. New Elephant road Branch
39, New Elephant Road, Kazi Bhaban (1st&2nd Floor), Dhaka-1205.
- Agargaon Branch
PKSF Bhaban plot# E-4/B (1ST Floor) Agargaon Administrative Area
Shere-e-Bangla.
- Chhagalnaiya Branch (Islami Banking)
Mir Shopping Complex (1st Floor), Dag#2741/2974, Chhagalnaiya
Bazar, P, S: Chhagalnaiya, Feni.
- Cox's Bazar Branch (Islami Banking)
Asha Shopping Complex 430-431, BazarGhata (1st Floor), Cox's Bazar
- Bandarbazar Branch (Islami Banking)
Karim Ullah Market (1st Floor), 1268/13 B
- Banani Branch (Islami Banking)
Plot # 71, Block # B Kamal Ataturk Avenue, Banani, Dhaka
- Kulaura Branch
Green House, Juri Road, P.O: Khulaura, Dist: Muolovibagar

- Feni Branch
Surma Sadan, 176,177,178 Trunk Road, Dist: Feni
- Motijheel Branch (Islami Banking)-opened in 2004
125, Motijheel C/A Thana: Motijheel, Dhaka
- CDA Avenue Branch (Islami Banking)-opened in 2004
CDA Avenue, Asain Highway, and Dist: Chittagong
- Hetimgonj Branch (Rural)
Khoyruganj Jame Masjid Market Complex (1st Floor) Tha: Gopalganj,
Dist: Sylhet
- Aganagar Branch (Rural)
Hasan Market (1st Floor), Tha: Keranigonj, Dist: Dhaka
- Corporate Branch
Eunoos Trade Centre, Dilkusha C/A, Dhaka
- Pathantula Branch
Pathantula, J.L # 90,P.S: Sylhet Sadar, Dist: Sylhet

4. FOREGIN CORRESPONDING:

- Standard Chartered Bank – New York U.S.A
- American Express Bank Limited – New York U.S.A
- HSBC Bank – New York U.S.A
- City Bank NA. – New York U.S.A
- Wachovia Bank N.A – New York U.S.A
- Standard Chartered Bank-London UK.
- The Bank of Tokyo Mitsubishi Ltd – Tokyo, Japan.
- City Bank AG –Frankfurt, Germany.
- Standard Chartered Bank – Kolkata, India
- American Express Bank Limited - Kolkata, India

- Standard Chartered Bank – Karachi, Pakistan
- Nepal Bangladesh Bank LTD. –Katmandu, Nepal
- Standard Chartered Bank – Colombo, Srilanka
- United bank of India –KoLkata, India
- The Bank of Tokyo Mitsubishi LTD. –New Delhi, Mumbai
- AB Bank LTD –Mumbai, India
- Somali Bank – Kolkata, India
- ICIC Bank LTD - Mumbai, India
- Bank of Bhutan – Phuenstholing, Bhutan
- City Bank N.A - Mumbai, India
- UBS – Zurich, Swaziland

5. Vision:

- To be a pioneer banking institution in Bangladesh and contribute significantly to the national economy.

6. Mission:

- High quality financial services with the help of latest technology.
- Fast and accurate customer services.
- Balanced growth strategy.
- High standard business ethics.
- Innovative Banking at a competitive price.
- Attract and retain quality human resources.
- Deep commitment to the society and the growth of national economy.

7. Core values:

- Integrity
- Fairness
- Harmony
- Courtesy
- Commitment
- Enthusiasm for work
- Business ethics

8. Core strengths:

- Quick decision making
- Efficient team performance
- Satisfied customer
- Internal control

9. SEBL Contribution to the National Economy:

Banks are the nerve centers of a modern economy. Southeast Bank has been playing an active role in the economic activities and economic development of the country. The Bank has directly given employment to 1,231 people. SEBL has generated employments for thousands of men and women in the projects and industrial ventures established with our finance. It has been financing the country's trade and commerce since inception in 1995. It has deposited 1,247.75 million with the national exchequer as corporate tax. SEBL was 7th among the Private Commercial Banks (PCBs) in tax payment in the year 2006. It has also collected tax on interest / profit earning of depositors for the public exchequer. It has mobilized deposits of Tk. 68,714.67 million as on 31st December, 2008 and significantly helped in the capital formation of the country. Southeast Bank has been a conduit for

bringing in foreign remittance equivalent to Tk. 15,221.81 million in 2008 from the hard-earned money of the Bangladeshi wage earners abroad. Foreign remittance collected by our Bank contributed to the overall foreign exchange reserve of the country.

10. SEBL Corporate Social Responsibility (CSR)

SEBL endeavors to achieve its objectives in the area of corporate social responsibility in the following manner:

- i) By stressing upon extension of credit and participation in projects for economic development of the country.
- ii) By following fair and ethical banking practices and maintaining sound management.
- iii) By developing and prospering with customers by offering top-quality and high value added products and services.
- iv) By offering competitive pay package and career path to the employees and creating a congenial workplace.
- v) By enhancing shareholder value by optimizing financial performance at a competitive cost.
- vi) By creating a lasting relation with suppliers and business associates for mutual benefit.
- vii) By supporting charitable ventures, relief operations, environment protection.
- viii) By coming to the aid of the poor and the needy people of the society.
- ix) By maintaining high compliance standard in regard to all relevant laws and regulations of all regulatory agencies.
- x) By supporting art, education, sports, culture, health-care etc.
- xi) By promoting good community relation to foster a relationship of understanding, trust and credibility.

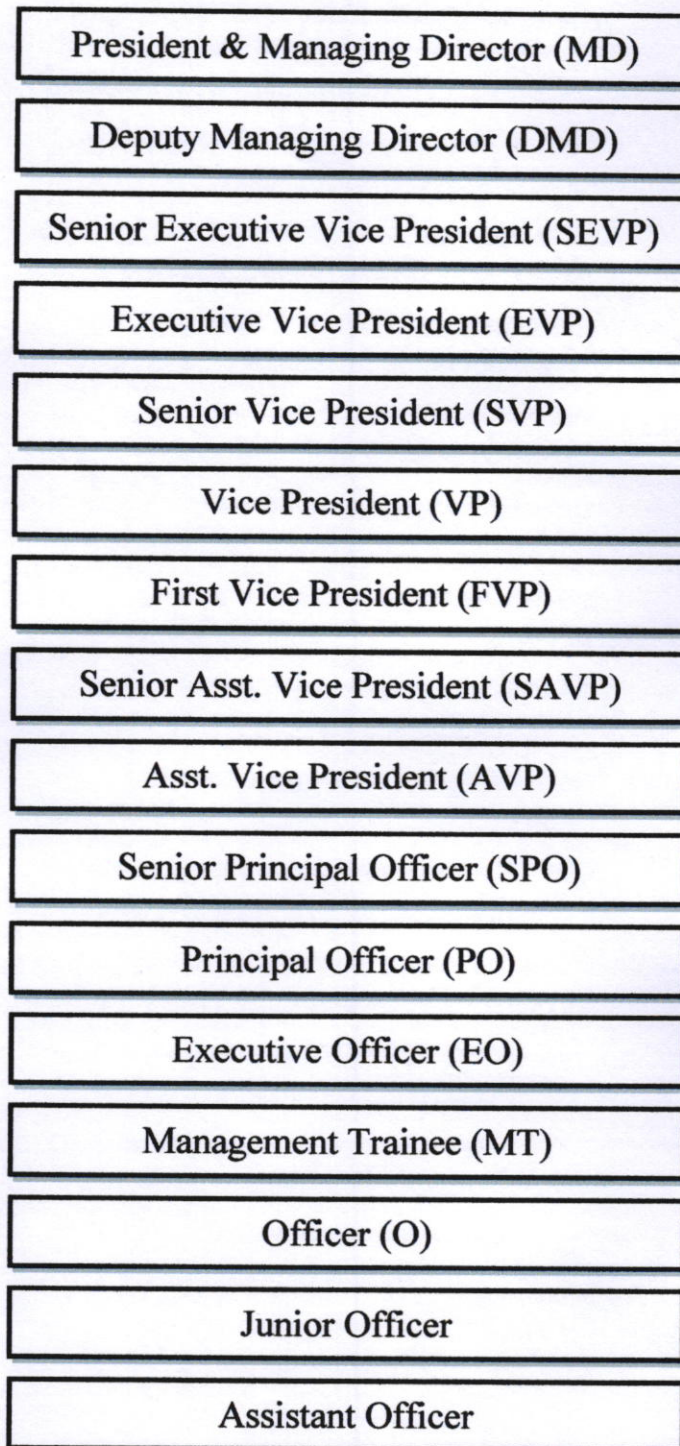
- xii) By observing environment related laws and regulations and working for healthy development of the society.
- xiii) By supporting development of the women community.
- xiv) By helping the autistic and intellectually disabled children.
- xv) By carrying on energy and resource saving activities within the Bank.
- xvi) By winning the reputation that the citizens acknowledge the significance of Southeast Bank's existence.

11. DIARY OF EVENTS & BRIEF PROFILE:

GENERAL INFORMATION

Certificate of incorporation	March, 12,1995
Certificate of comment of business	March, 12,1995
Bangladesh bank license	March, 23,1995
First branch opened	May, 25,1995
Number of branch	34 (present)
Number of employees	845 as on 31/12/06
Global Corresponding	507 as on
Listing of share	DSE & CSE

12 HIERARCHY OF SOUTHEAST BANK LIMITED



13. Management

Name	Designation
Mr. Mahbubul Alam	Managing Director
Mr. M. A. Muhith	Deputy Managing Director - I.
Mr. Syed Imtiaz Hasib	Deputy Managing Director-II
Mr. Sirajul Islam	Executive Director
Mr. Saleh Uddin Ahmed	Senior Executive Vice President
Mr. Mohammad Gofran	Senior Executive Vice President
Mr. Muhammad Shahjahan	Senior Executive Vice President & Company Secretary
Mr. Giash Uddin Ahmed	Senior Executive Vice President
Mr. S.M.Mainuddin Chowdhury	Senior Executive Vice President
Mr. Shahid Hossain	Senior Executive Vice President
Mr. Shahbuddin Md. Zafar	Senior Executive Vice President
Mr. Md. Shafiqur Rahman	Senior Executive Vice President

14. Corporate Profile

Name of the Company	Southeast Bank Limited
Chairman	Alamgir Kabir, FCA
Vice Chairman	Ragib Ali
Managing Director (CC)	M. A. Muhith
Company Secretary	Muhammad Shahjahan
Legal Status	Public Limited Company
Date of Incorporation	March 12, 1995
Registered Office	Eunoos Trade Center
Line of Business	Banking
Authorized Capital	Tk.3,500.00 million
Paid Up Capital	Tk.2,852.20 million
Year of Initial Public	Offer : 1999 Stock Exchange Listing : April 10, 2000 (DSE) & April 24, 2000 (CSE)
Phone	9571115, 7160866, 7173793, 9555466 & 9550081
Fax	9550086, 9550093, 9563102 SWIFT: SEBDBDDHXXX
E-mail	info@sebankbd.com
Website	www.sebankbd.com

15. SERVICES AND PRODUCTS

15.1 Services:

- ATM SERVICES
- CREDIT CARD SERVICES
- LOCKER SERVICES

15.2 LOCKER SERVICES

Locker services	Yearly charge	Security deposit	Service available at
Small	Tk.750	Tk.2500	Gulshan branch
Medium	Tk.1250	Refundable	Dhanmondi branch
Large	Tk.2000	For any locker	Uattra branch

16. Products:

Deposit schemes	Revised interest rate on deposit
Current (CD)	0.00%
Savings (SB)	5.50%
Short Term Deposit (STD)	Banks & NBFIs –5.00% Customer: 5.50%
Fixed deposit (1 month)	7.50%
2 (two) month	7.75%
3 (three) month	12.00%
6 (six) month	12.25%
1 year and above	12.50%

Besides FDR, SB& CD the bank has introduced the following Customer

16.1. Friendly Deposit Schemes:

Customer friendly deposit scheme	Monthly installment size (Tk.)	Amount build up after 5 years (Tk.)	Amount build up after 10 years (Tk.)
Pension savings scheme (P.S.S)	500.00	40000.00	108000.00
	1000.00	80000.00	216000.00
Education savings' scheme (E.S.S)	500.00	40000.00	108000.00
	1000.00	80000.00	216000.00
Monthly savings scheme (M.S.S)	500.00	40000.00	108000.00
	1000.00	80000.00	216000.00

16.2 Double benefit deposit scheme (DBDS)

Deposited Amount	Term	Size of deposit amount after complete the term
Minimum amount: 50000.00	1 to 6 year	100000.00

16.3 Loan schemes:

LOAN SCHEME	LENDING CATAGORIES	LENDING RATES
Agriculture Scheme	Loan to primary producers	8.50%
	Loan to agriculture input traders and fertilizer dealers/distributors	8.50%
Commercial Lending	Jute Trading	11.50%
	Other commercial Lending	12.00%
Working Capital	Jute	11.50%
	Other than jute	12.00%
House Building	Real State Developers	12.00%
	Individual/Housing Finance co.	11.50%
Other Loans	For NBFIs (non banking financial institution)	11.50%
	Consumer Credit scheme	12.00%
	Others	11.50%
Small/ Cottage Industry	Term Loan	11.50%
Large /Medium Scale Industry	Term Loan	12.00%
Loan against Export	Jute Goods Exports	7.00% fixed

17. TYPES OF DEPOSIT ACCOUNT:

The bank offers the following types of accounts to its various customers:

- a. Current account.
- b. Savings account
- c. Short term deposit
- d. Fixed deposits
- e. Special purpose deposit (savings scheme) account / deposit pension scheme (DPS)

18. Operating Income for last 5 years

The Bank earned an operating income of Tk.4, 039.43 million during the year 2008 from Net Interest Income, Income from Investment, Commission, Exchange and brokerage and other Operating Income. The operating income of the Bank during the year 2007 was Tk.3, 817.97 million. The operating income posted 5.80 percent growth in 2008. The operating income for the last 5 years is given below:

Year	Amount (Taka in million)
2008	4,039.43
2007	3,817.97
2006	2,721.48
2005	2,046.90
2004	1,293.54

19. Outlook of SEBL

Looking ahead for a brighter future, SEBL shall try hard to:

1. add further value to our company
2. add new products to our product-family
3. start full-fledged merchant banking in 2009
4. provide adequate logistic support to our dealing room for further expansion of trading operations
5. maintain required capital adequacy for Basel-II compliance
6. provide clients with active and comprehensive financial counseling
7. seek to attract additional fund to manage
8. expand business and network further
9. maintain high quality of assets
10. long for and encourage closer co-operation with our customers
11. achieve return on equity for more than 20%
12. integrate our research work to be tailored to customer needs
13. Maximize profit.

20. Highlights on the overall activities of the bank

SL.NO	Particular	2008(taka)	2007(taka)
1	Paid up Capital	2,852,197,800	2,281,758,300
2	Total Capital(core + supplementary)	7,657,011,723	6,468,361,219
3	Capital surplus/(deficit)	773,924,273	1,490,616,809
4	Total Assets	81,181,527,919	64,370,690,040
5	Total Deposits	68,714,672,575	55,474,048,109
6	Total Loans and Advances	60,281,260,388	48,164,604,150
7	Total Contingent Liabilities and Commitments	31,579,703,610	21,670,608,579
8	Percentage of classified loans against total loans and advances	4.12 %	3.77 %
9	Profit after tax and provision	887,235,037	1,222,969,038
10	Amount of classified loans during current year	2,484,331,340	1,813,938,231
11	Provisions kept against classified loan	1,094,336,047	1,075,932,628
12	Provision surplus/deficit	35,236	5,953,865
13	Credit Deposit Ratio(%)	87.73 %	86.82 %
14	Cost of Fund	9.65 %	9.40 %
15	Interest earning Assets	68,950,394,244	55,806,108,329
16	Non –interest earning Assets	12,231,133,676	8,564,581,710
17	Return on Investment(ROI)	12.06 %	19.90 %
18	Return on Assets(ROA)	1.09%	1.90%
19	Incomes from Investment	1,279,958,931	956,800,823
20	Earning per Share	31.11	42.88
21	Net income per Share	31.11	53.60
22	Price Earning Ratio	10.22	10.70

21. Five years at a Glance

Particulars	2008	2007	2006	2005
Authorized capital	3,500.00	3,500.00	3,500.00	2,500.00
Paid up capital	2,852.20	2,281.76	2,112.74	1,056.37
Reserve Fund / others	4,804.81	4,186.60	2,828.18	1,180.47
Total capital (Tier-I Tier-II)	7,657.01	6,468.36	4,940.92	2,236.84
Deposit	68,714.67	55,474.05	46,056.18	38,258.15
Advance	60,281.26	48,164.60	41,147.28	32,551.09
Investment	12,299.61	8,462.86	6,265.55	5,113.14
Import Business	58,019.77	38,470.34	35,125.12	29,079.30
Export Business	42,178.60	28,771.36	25,87.61	13,511.10
Guarantee Business	15,078.99	9,008.32	8,656.80	7,975.00
Total income	10,250.13	8,670.47	6,766.11	4,689.55
Total Expenditure	7,237.55	5,754.27	4,703.45	3,216.11
Net profit after Tax and provision	887.24	1,222.97	909.88	374.20
Fixed Assets	2,685.56	1,708.11	1,300.39	790.62
Total Assets	81,181.53	64,370.69	53,706.12	43,294.81
Earning per Share (TK.)	31.11	42.88	59.71	35.42
Operating profit	3,012.58	2,916.20	2,062.66	1,473.44

CHAPTER: THREE

1. In a Nutshell Merchant Banking in the Bangladesh Context:

1.2 Merchant Banking:

Merchant banking (MB) the term suggests is the functions of intermediation in the capital market .It consents of assisting issuers to raise capital by placement of securities issued be them with investors .However, Merchant Banking is not merely about marketing of securities in an agency capital .The MB has an onerous responsibility to wards the investors who invest in such securities .Therefore. MB is a fee based services for management public offers, popularly known as' issue management and for private placement of securities in the capital Market

As of May 31, 2009 there are 31 merchant banks licensed by the Commission of which 2 merchant banks are allowed to act as issue manager only, 1 merchant banks is allowed to act as portfolio manager only and the rest 28 merchant banks are allowed to act as Issue Manager, Underwriter and Portfolio Manager.

10 banks have obtained license from the Commission of which AB Bank Ltd., Prime Bank Ltd. and Trust Bank Ltd. have started merchant banking operation in large scale. EXIM Bank Ltd. started their operation in 2007 but in minor scale. Citigroup has concentrated only to foreign portfolios and custodian services. Rest five banks (Southeast Bank Ltd., Janata Bank Ltd., Sonali Bank Ltd., Agrani Bank Ltd. and Standard Bank Ltd.) obtained licensed from Commission in 2009 and will start their operation within very short period of time.

1.3. Investment Products – Investor’s Discretion Account

Particulars	Standard	Exclusive	Optimum
Minimum Deposit	10,00,000	50,00,001	2,00,00,001
Maximum Deposit	50,00,000	2,00,00,000	Any amount
Retention Amount	10,000	10,000	10,000

1.4. Fees & Charges

Particulars	Criteria	Standard	Exclusive	Optimum
Account opening	One off	1,000	1,000	1,000
Settlement Fees %	On transaction	0.40	0.35	0.35
Management Fees %	Calculate daily & charged quarterly	1.50	1.25	1.25
Interest Rate %		13.50	13.50	13.50

1.5. Value Added Services

Particulars	Remarks
Tax Investment Certificate	Tk. 500 per certificate
Fund Netting	As per DSE guideline
Margin Allowed	As per SEC guideline
Daily E-mail Statement	Tk. 500 p.a.
Settlement E-mail	Tk. 500 p.a.
Depository Services	Free
Electronic Trade	Free
Product Change	Free

1.6. Overall performance of leading merchant banks in 2008-09:

Particulars	AB	PRIME	TRUST	IDLC	LANKA	PRIME FIN	AAA
Issue Mgt.	1	NIL	NIL	1	1	5	6
Underwriting	NIL	NIL	NIL	Active	NIL	Active	N/A
Portfolio Mgt.	Active	Active	Active	Active	Active	Active	N/A

CHAPTES: FOUR

1. Merchant banking operation of SEBL

Southeast Bank Ltd. has obtained the full fledged merchant banking license from the Securities and Exchange Commission on April 06, 2009 and able to offer the following services to our clients:

- **Issue Management**
- **Underwriting and**
- **Portfolio Management**

Now Above Mentioned Activities are Describe Below:

1.1. Issue Management:

In general the merchant bankers are the issue managers who bring the issues to the primary market investor. Issue management is a fee-based service.

Under this ground, SEBL (MBW) maintains the following steps:

To contact with the prospective clients for IPO, RPO and Rights Issue

1. Initial discussion with the relevant company
2. Send offer letter to the prospective clients
3. Formal discussion/meeting with the company
4. Analyze the project profile
5. Collection of required papers/documents/information of the company

6. Final discussion with the company regarding issue management jobs, fixation of offer price and issue management fees and mode of payment
7. Signed the issue management agreement with the issuer
8. Preparation of Investment Memorandum for marketing of the company
9. Selection of underwriters /pre-IPO investors/Banker to the issue/
Lead Banker
10. Preparation of draft prospectus
11. Draft prospectus submitted to SEC and DSE/CSE along with related papers/ documents required by rules
12. Liaison with the respective officer of SEC for consent/approval to float shares to the public
13. As an Issue Manager, advice to the Issuer on the following matters:
 - Fixation of subscription date.
 - Prospectus published in the National Daily.
 - Distribution of prospectus/application forma to the Banker to the Issue and Ambassadors
14. Selection of Post Issue Manager
15. Letter sent to SEC regarding subscription status
16. Consent from SEC regarding lottery, in case of over subscription.
17. Arrangement of Lottery.
18. List of allotment submitted to SEC
19. Return of allotment submitted to RJSC

1.2. Underwriting:

Underwriting is a fund-based service provided by a market intermediary, which consists of taking a contingent obligation to a agreed number of securities in an issue if such securities are not subscribed to by the intended investors.

Under this ground, SEBL (MBW) maintains the following steps:

1. To contact with the prospective clients for IPO, RPO and Rights Issue
2. Initial discussion with the relevant company
3. Send offer letter to the prospective clients
4. To collect, papers and documents and other related information from the Issuer or Issue Manager
5. Analyze the financial position of the company
6. Analyze the sectoral performance
7. Market perception of the company
8. Complete due diligence on the basis of information received

1.3. Portfolio Management

1.3.1 Scope of SEBL in portfolio management operation:

As on May 31, 2009 there are 10 commercial banks, 19 NBFIs & private limited companies have merchant banking license. In case of providing loan by portfolio managers other than commercial bank, they should first borrow fund from bank and then provide to clients with a higher interest rate.

The average lending rate by banks is around 13.50% and other than bank is around 15.50%.

Proposed investment products and charge schedule of SEBL:

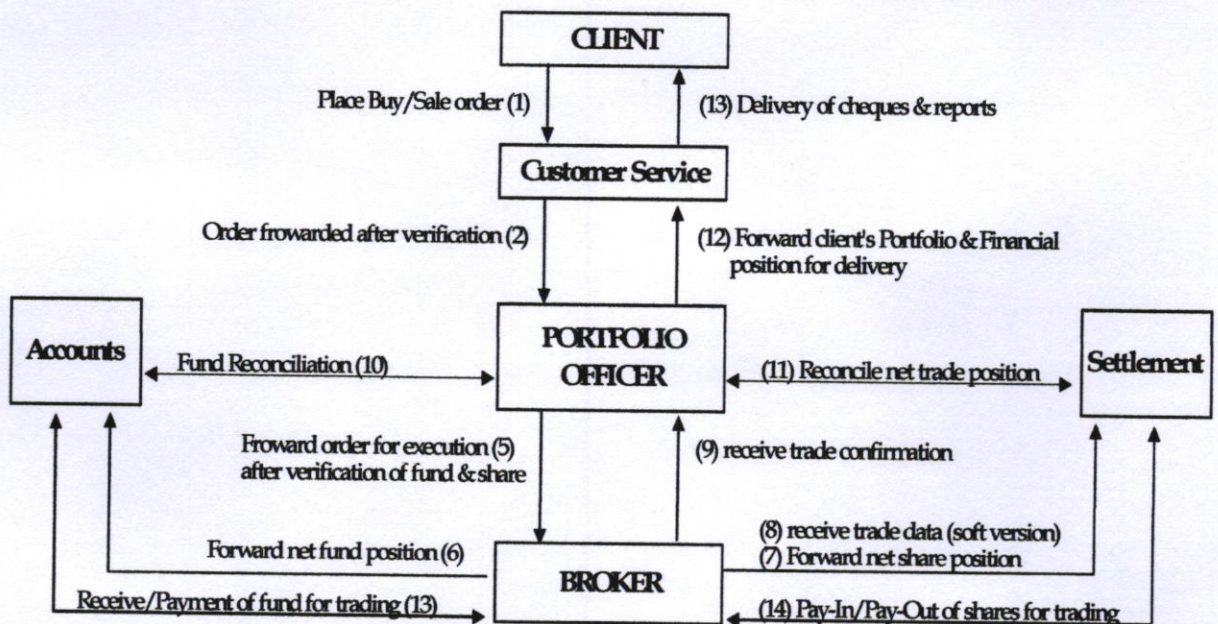
1.3.2. Portfolio Operations:

Position of other Merchant Banks

Particulars	AB	PRIME	TRUST	IDLC	LANKA	PRIME FIN
Years in Business	7 years	3 years	2 years	4 years	4 years	10 years
No. of active portfolio clients	2,600	1,500	1,015	2,700	1,400	400
Total Portfolio Value (Tk. mn)	9,500	8,400	2,900	7,000	3,800	2,700
Average Lending (Tk. mn)	5,000	4,700	1,900	2,750	1,800	1,250
Interest Rate	13.5%	13.25%	13.0%	15.0%	15.5%	15.0%
PM Fees	1.25%	1.25%	1.5%	1.5%	1.5%	1.5%
Brokerage Commission	0.35%	0.40%	0.45%	0.35%	0.35%	0.35%

1.3.4. Flow Chart of Portfolio Management Operation

Flow Chart of Portfolio Management Operation



1.3.5. SEBL (MBW) Portfolio Management Agreement:

Article-1: Terms of Investment

- 1-1 prior or upon execution of this Agreement, the client shall i) open a Investor's Discretionary Account with the portfolio Manager with a deposit of the Initial Fund for investment purpose and ii) execute Letter of Lien and set a lien over the assets of the portfolio in the portfolio Manager.
- 1-2 In case the client indicates un his/her application that Margin Loan will be availed, in addition to the documentation in relation to opening of the Investor's Discretionary Account, the client shall be required to execute a Demand promissory Note and the Letter of continuation along with the application to the portfolio Manager.
- 1-3 The portfolio Manager shall maintain separate designated bank account (S) with any branch of SEBL for keeping and managing the funds received from or on account of the cline from time , including the Initial Fund.
- 1-4 The portfolio Manager shall execute the trades through the registered broker with whom the trading sub-account of the client is maintained.
- 1-5 The client shall be eligible to purchase only the securities approved by the portfolio Manager.

Article -2: Margin Loans

- 2-1 On the application of the client, the portfolio Manager may grant a Margin Loan to client at the ratio stipulated in Schedule-1.
- 2-2 The client may avail the Margin Loan only to purchase the securities approved by the portfolio Manager.
- 2-9 The margin shall be calculated as per following formula:

Margin (%) = Market value of total portfolio plus current balance/
Market value of total portfolio.

Article-3: Trading Error

3-1 A trading error shall have occurred if any discrepancy is detected between the order given by the client in accordance to Article 2 and the order placed to the broker in the following aspects:

Article -4: Covenants

4-1 The portfolio Manager shall undertake all necessary steps to make application for Initial public offer or pre-IPO placement on behalf of the client after receiving form the client.

4-2 The portfolio Manager will maintain separate client – wise account for the fund and the securities of its client

Article-5: Representations and warrants

5-1 Each party hereto represents and warrants that:

i) The party has the requisite authority or corporate authority (as the case may be) to enter into this Agreement and consummate the transitions contemplated by this Agreement, including the obtaining of all requisite consents or approvals of, or exemptions by, any state, government or public bodies and authorities.

5-2 The representations and warranties in this Article shall be deemed to be repeated, updated mutatis mutandis at each such date, on the date of each transaction undertaken under this Agreement.

Article -6: Responsibilities of portfolio Manager

6-1.1 The portfolio Manager shall not:

- a) Receive any advantage from the funds or portfolio of the client
- b) Furnish any exaggerated information to the client regarding its Competence, skill and success and
- c) Disclose any material financial information of the client anybody Unless it is required at the direction of any government regulatory Body

Article-7: Fees, Charges and Interest

7-1 The portfolio Manager shall also be paid all out-of pocket and third party expenses as stated in schedule-I of this Agreement.

7-2 Clients are required to keep sufficient cash balance at the end of each quarter for realization of interest and various charges by the portfolio Manager

Article-8: Reporting and Notifying

8-1 The portfolio Manager may provide any other optional reports upon written request of the client where it deems appropriate

Article-9: Enforcement of Lien

9-1 The portfolio Manager will sell the appropriates portion of the client's portfolio

Article -10: Transmission

10-1 In the event of death of the client ,the nominee(s) as prescribed by the client in the Application Form shall be the only person(s) recognized by the Manager as being entitled to the assets of the portfolio

Article-11: Allocation of IPO Securities

11-1 Allocation of IPO securities to investment accounts shall be made on actual basis, i.e., the amount of shares allotted to the client by the issuing company.

11-2 The portfolio Manager shall determine the amount of available securities among the clients

Article-12: Valuation of Assets

12-1 The assets of the portfolio of the client shall be valued following the provisions of the valuation policy adopted by the portfolio Manager delineated in Schedule-IV of this Agreement

Article -13: Registration of Securities

13-1 The portfolio Manager will ensure registration of all securities acquired for the client within 48 hours before the relevant closure to books.

13-2 However, the portfolio Manager shall not be held responsible for any loss caused to the client due to non-registration of securities.

Article -14: Notice

14-1 Any party may, from time to time ,change its address or representative for receipt of notices provided for in this Agreement by giving to the other party , not less than 10 days prior written notice

Article 15: Termination of Agreement

15-1 The portfolio Manager reserves the right and sole discretion to liquidate the portfolio of the client in whole or in part without notice to the client and to disburse the NAN to the client if the portfolio Manager deems that such action is necessary or expedient for any reason whatsoever ,including the compliance of any application law or regulation.

Article -16: Dispute and Settlement

16-1 The venue of arbitration shall be in Bangladesh.

Article-17: Force Majuro

17-1 The portfolio Manager shall not held responsible for any losses caused to the client due to the occurrence of the following:

- a) Irrational behavior of the capital market, structural changes in the economy, or any fundamental charge in the securities issuing companies.
- b) Failure to pay dividend or interest by any issuing companies.

Article -18; Governing Law and Jurisdiction

18-1 This Agreement shall be governed by the laws of Bangladesh .

Article-19: Taxes

19-1 The portfolio Manager shall make necessary income tax deduction from the account(s) of the clients in accordance to the fiscal laws of the country.

Article-20: Miscellaneous

20-1 The portfolio Manager shall be fully authorized to modify or vary the terms contained herein for compliance with prevailing or change of relevant laws relating to matters herein.

1.3.6. SEBL (MBW) Important Instructions for Portfolio Investment Account:

1. Eligibility: Following parties are eligible to open a Non-discretionary portfolio Investment Account:

- a. Any individual of 18 years and above.
- b. Company, Firm, Trust and Association.

2. Joint Account: Any person can open one Joint Account.

3. Required documents:

Individual Account

a) 2 (two) copies recent passport size photographs of each Accountholder duly attested by the Introducer.

b) Photocopy of National ID card/Bank Certificate/passport/Nationality Certificate with attested photograph and utility bill.

c) Photograph of nominees attested by the account holder.

d) Bank Statement for last three months.

Institutional Account

- a) photograph (s) of the Directors
- b) Trade License/ TIN
- c) Board Resolution regarding opening of the account and its operation
- d) Memorandum & Article of Association certified by RJSC
- e) Signature and photograph (s) of the authorized person(S)

4. Operator:

- a) A photograph of the operator duly the Accountholder must be given where applicable.
- b) No employee of Southeast Bank Limited shall be appointed as an operator.

5. Deposit: The account holder(s) can create own margin by cash deposit only.

6. Fund withdrawal:

- a) In case of having any debt liability the client can withdrew fund after maintaining required level of equity in the account.
- b) If the account holder(S) have no debt liability the client withdraw balance fund after maintaining a minimum fund balance of TK. 10,000 or equivalent value of securities.

7 Security withdrawals: The accountholder(S) cannot withdraw any Securities from the account.

8. Mode of Instruction: All instructions shall be made in writing.
9. Amendment of Rules: The Company reserves the right to amend the present rules at any time in any manner without giving prior notice to the Accountholder(S) separately or to the public.
10. Incomplete Application: Incomplete Application shall be liable for cancellation.

1.3.7. Investor's Discretionary portfolio Management Agreement:

Valuation policies Article 12

With reference to Article 12 of the Agreement the portfolio Manager shall value the assets of the client's portfolios applying the following policies during the period of the Agreement .The portfolio Manager may change from time to time any of the following provisions of this schedule – IV without further reference to me /us.

1. In valuing of the assets of the client's portfolio, the closing price of securities quoted on the last trading day of Dhaka stock Exchange (DSE) will be used.
2. When the securities were not traded at DSE on the particular valuing date, immediate previous closing price to the valuing date will be taken into account.
3. When the securities are de – listed or suspended for trading, those may be excluded for the purpose of valuation, at the discretion of the portfolio Manager.

4. For valuation of the shares procured through IPO or Pre-IPO placement, the acquisition price shall be taken into account unit the securities get listed with the stock exchanges.
5. In case the securities do not get listed within 120 (One Hundred Twenty) days from the date of closing of subscription, the securities shall be treated as non –listed securities.
6. The valuation of non –listed securities including the de –listed securities shall be made by the valuation policy of the portfolio Manager.
7. One non-listed securities are valued, the valued amount shall be considered for purpose of valuing the assets of the client’s portfolio until the securities are revalued and the portfolio Manager shall have the discretion to revalue the securities at any interval of time.
8. Bonus shares shall be taken in to account on the date of start of book closure or record date, as the case may be, for the purpose of valuation .The number of bonus shares shall be determined on the basis of Eligible claim of the client.
9. Right shares shall be valued following the valuation policies applicable to the IPO shares .Right shares shall be valued at acquisition cost unit the shares are received .After receiving the shares, those will be subjected to valuation for daily price movement.

2. Investors Position:

Target of Southeast Bank Limited

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Target Client	200	400	600	800	1,000	1,200
Portfolio Loan (Tk. Mn)	750	1,000	1,500	2,000	2,500	3,000
Rate of Interest	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
PM Fees	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Daily Turnover (Tk. Mn)	120	150	175	200	225	250

	Sep-09	Dec-09	Y- 2009	Mar-10	Jun-10	Sep-10	Dec-10	Y- 2010
Interest Income (13.50%)	25.31	33.75	59.06	50.63	67.50	84.38	101.25	303.75
PM Fee (yearly 1.25%)	3.75	5.00	8.75	7.50	10.00	12.50	15.00	45.00
Settlement Charge (0.15%)	10.80	13.50	24.30	15.75	18.00	20.25	22.50	76.50
Total	39.86	52.25	92.11	73.88	95.50	117.13	138.75	425.25

(Tk. Mn)

According to above taka, SEBL (MBW) targets to disperse portfolio loan 750 (mn) in September under 13.5% interest, portfolio management (PM) fees 1.25% and settlement charge 0.15%, on this ground, SEBL (MBW) targets to interest income 25.3 (mn), portfolio management fee 3.75 (mn) and settlement charge 10.80 (mn) she others statistics will follow previous description.

At present SEBL (MBW) have 378 valuable customers for Merchant banking operation. In future SEBL has target to increase this client number. It is Mentionable that SEBL takes 13.5% interest for providing loan to client in this purpose of share trading ,Whereas other bank who are another in Merchant banking operation taken 15% interest rate. Moreover SEBL offers loan according 1:1.25 ratio, where client has to deposit at least Tk. 5 lac. However depositing Tk 2 lac is the minimum condition to trade SEBL portfolio management services.

3. SEBL Plan about Merchant Banking:

SEBL has planned to start its merchant banking operation by the mid of July 2009. With this view in mind it has made the following arrangement:

- **Selection of place for merchant banking operation**
 - For client service (broker operation) – at Eunoos Center (Ground Floor) 52-53 Dilkusha C/A, Dhaka measuring 1042 sq. feet.
 - For back office operation - at Eunoos Center (1st Floor) 52-53 Dilkusha C/A, Dhaka measuring 1700 sq. feet.

- **Selection of stock broker** – initially it have to select three or four stock-brokers for trading of securities. *A separate memo is prepared for this purpose.*

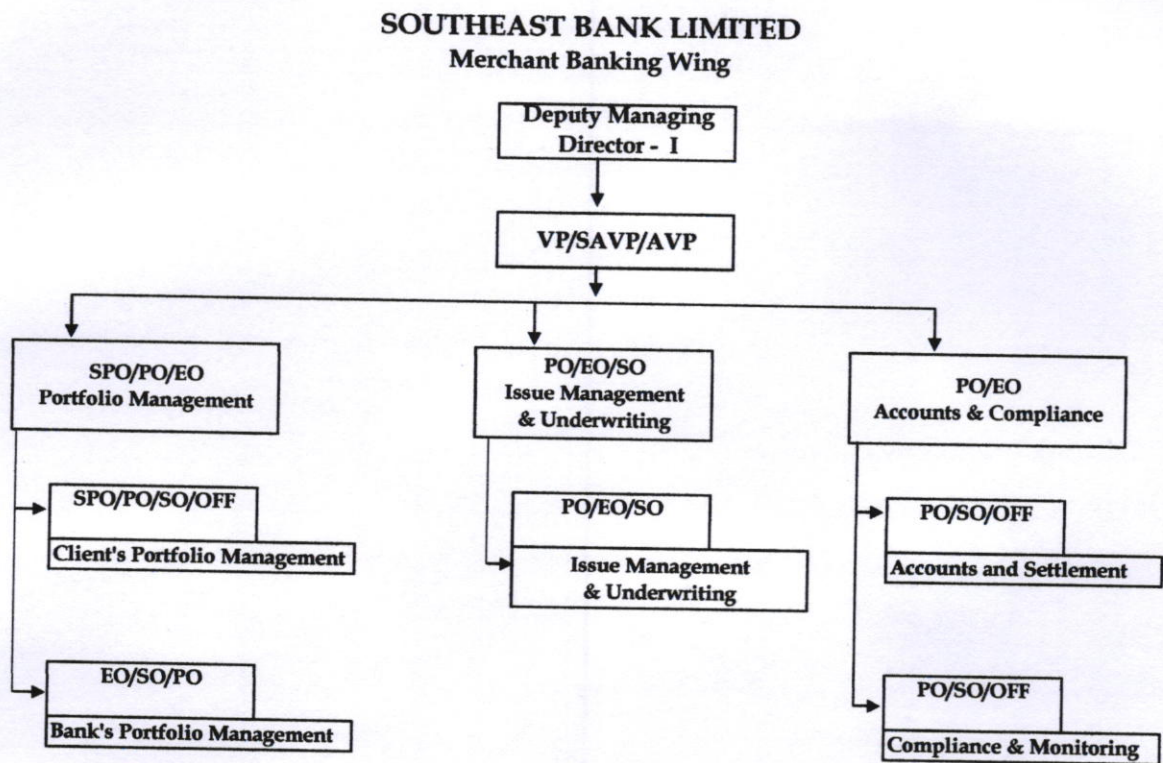
- **Finalization of software** – SEBL has made an arrangement with Leads Corporation Ltd. for merchant banking software. The cost of the software will be Tk. 1,300,000 and the yearly maintenance charge will be Tk. 60,000. In addition, as per IT policy of SEBL and requirement of Bangladesh Bank it needs Application Server and Database Server (both primary and backup) and install required software for operating environment and replication of data. *A separate memo is prepared for this purpose.*

- **Recruitment**– SEBL has selected 4 persons having adequate experience about merchant banking operation through interviewed of 35 candidates.

- **Finalization and Printing of documents** – SEBL has finalized the required documents (account opening form, declaration, agreement, lien of security, signature card etc.) for portfolio management operations which were duly vetted by our legal advisor.

4. Organ gram of Merchant Banking Wing:

The organ gram of the Merchant Banking Wing is designed as follows:



5. Human Resources Planning of SEBL (Merchant Banking Wing):

Initially SEBL has planned its human resources as follows for Merchant Banking operation [based on 3 (three) stock brokers and 200 (two hundred) portfolio clients:

Operation	Area	Required	Available
Issue Management Underwriting	Marketing & Communication	2	1
Portfolio Management	Front Office	2	-
	Trading Operation	2	1
	Settlement & CDBL Operation	2	1
	Finance and Accounts	2	1
	Compliance & Monitoring	2	1
Total		12	5

6. SWOT Analysis of Merchant Banking Wing of Southeast Bank Limited (SEBL)

SWOT analysis is an integral part of the report because it determines the organization's present and thinking about what actions are needed. Understanding the evaluation of the strengths, weaknesses, opportunities and threats help us to draw a conclusion about the Southeast Bank.

6.1 Strengths:

- **Sponsors:**

MBW has been founded by a group of outstanding entrepreneurs. The sponsors, directors, chairman belongs to large industrial conglomerates and philanthropists of Bangladesh.

- **Company reputation:**

MBW has created standing in the banking organization, which has goodwill in the upcoming and built banking organization.

- **Modern services:**

MBW tries to furnish its works surroundings with modern, standard and sophisticated technologies for giving best services to their honorable customers.

- **Experienced management:**

MBW has got third position in the last CAMEL rating that has done by its knowledgeable management style.

6.2 Weaknesses:

Limited network:

In this competitive are, the main objective of any service-oriented organization is to get in touch with its customers as quick as possible.

- **High concentration on large long:**

MBW has concentration on large loan. As a result, the bad debt is increasing which might create a severe problem for MBW.

- **Advertising and promotion:**

The bank does not effectively carry out advertising and promotion. This lacking makes a steady situation for the external banking services and effects largely in the deposit or savings schemes.

- **Weak procedures of employment:**

Sometimes authority is biased to take legal action against the employee or for the promotion purpose of the employee. As a result, the energetic employees are disappointed which results in wicked work performance of the employees. It creates a tedious situation in the office and makes the employees centralized. Some employees misbehave their contemporaries and authority does not try to solve that rather makes the environment **supple**.

- **Lack of fill-scale automation:**

Even though MBW is now providing online banking services and ATM cards but it should use more advanced technology to compete with the multinational bank.

6.3 Opportunities:

- **Diversification:**

The management can diversify the business into insurance or leasing business.

- **Training center:**

MBW can introduce a training center for its employee to Make the employees more helpful and efficient.

6.4 Threats:

- **Upcoming bank:**

Upcoming bank like Dhaka, Prime, Dutch-bangle or premier bank are the major competitors of MBW. They are carrying out hard line in advertising and promotional tools.

- **Multinational bank:**

Multinational bank like standard chartered or HSBC bank pose potential barriers for the local private bank. They create a profound notion on our people, which would generate serious problems to the MBW. Moreover SEBL is yet to be fully automated. Highly organized and automated foreign bank operation in Bangladesh may pose some threats to MBW ability to compete.

- **Market pressure for lowering of lending rate”**

The numbers of Trade Center are increasing day by day. So it crates a pressure for MBW to lend the customers at a comparatively lower rate.

7. Brokerage House:

SEBL (MBW) performs their merchant banking operations by four leading stock Brokerage houses (BLI Securities, Industrial and infrastructure Development Finance Company Ltd, International Leasing Securities Ltd and AD Holdings Ltd.) to operate its Merchant banking operation.

8. Exposure Limit:

It is regulated and controlled as per the rules of merchant banking rules and regulations under Securities Exchange Commission.

9. Forecast Income in 1 Year:

We assumed that through Merchant Banking Operation the following income will generate in 1 year:

Particulars	Taka
Issue Management	5,000,000
Underwriting	2,500,000
Portfolio Management	425,250,000
- Interest Income	303,750,000
- Management Fee	45,000,000
- Settlement Charge	76,500,000
Total	432,750,000

Recommendation:

However, for increasing of business volume in future, SEBL needs the following:

- Services structural for client should be clear, which services a client can get on can not get from her.
- In MBW there is only one printer, which creates a chaos situation in Peak- hour.
- Offer infrastructure is not enough to operate Merchant banking operation in full swing.
- Selection of additional brokers.
- Additional human resources for monitoring and better client support.

Conclusion

The present world of banking is very challenging .The success of a bank is now totally depend upon the factors such as decision making, efficient and cordial services, maximum use of resources and introduction of new financial products. Within a short period of tome (ten years) southeast bank shown a great improvement. As a rule of internship I have to observe the different department of the bank but for my report I have past most of the time in the Merchant banking (Cash department, Accounts department, clearing department). Within in a short period of it is not possible to go the depth of the work. However, I try to give my highest effort to achieve the objectives the internship program. In my learning period, I have to face so many problems and I am trying to give my best suggestion to solve that kind of problem. Finally, I want to say Merchant Banking Wing of Southeast Bank (Head Office) is always trying to provide their best service for their customer. Thus by providing this various services Southeast Bank (Head Office) is playing an important role in the banking system and in the payment system of Bangladesh.

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Appendix

SEBL= Southeast Bank Limited

MBW= Merchant Banking Wing

PM= Portfolio Management