

3.16

# An Appraisal of BRAC Bank Limited

Prepared by:

**Sadia Islam**

ID # 2004-2-10-238

Prepared for:

**Dr. Tanbir Ahmed Chowdhury**

Professor & Chairperson

Department of Business Administration

East West University

17<sup>th</sup> February 2008

Sadia Islam  
Id # 2004-2-10-238  
East West University  
43 Mohakhali, C/A  
Dhaka-1212

**Subject: Assigning the topic of Internship Report.**

Dear Student

At your earliest convenience you are cordially requested to prepare your internship report on "**An Appraisal of BRAC Bank Limited**". I believe that you are qualified to prepare this paper.

In your report, evaluate the performance of BRAC Bank Limited in all important banking aspects, especially their banking activities with Small and Medium Enterprises (SME).

Please submit the paper to me by April 24. Though the time frame is very short to prepare such a paper but regardless of all limitation try to prepare a complete report. I will help you in any circumstances.

Don't feel hesitate on call me or email me if I can be of duty.

Sincerely

**Dr. Tanbir Ahmed Chowdhury**  
Professor & Chairperson  
Business Administration

## Letter of Transmittal

April 24, 2008

Dr. Tanbir Ahmed Chowdhury  
Professor & Chairperson  
Business Administration  
East West University  
Dhaka

**Subject: Submission of Internship Report.**

Sir,

I submit herewith the project report on my internship in "**An Appraisal of BRAC Bank Limited**". I have tried to inscribe my practical experiences in BRAC Bank Ltd. while doing my internship there as a requirement for my BBA Program.

I believe that the knowledge and experience I have gathered during my internship period will immensely help me in future professional life.

I would therefore, hope that you would be kind enough to grant my application and accept my Internship report.

Sincerely yours

Sadia Islam  
Id # 2004-2-10-238

## Acknowledgement

I am grateful to the almighty for helping me all the way till completion of my internship at BRAC Bank Limited as a part of my B.B.A. Program. This Report is prepared on the basis of my practical experiences during the internship period and from the information collected from different sources.

To write this report I needed helps from others. First of all I want to express my gratitude to my course coordinator, Professor & Chairperson Tanbir Ahmed Chowdhury, who gave me guidelines & suggestions to prepare this report and extended his valuable support as and when needed. Without his kind cooperation, it would have been very difficult for me to complete this paper.

Then I want to give thanks to the BRAC Bank Limited where I got the opportunity to do my internship under a very congenial working environment. BRAC Bank also supported me by providing information about their financial data and other data the related to the Bank.

I am also grateful to Mrs. Rifat Sultana who took me in her team during my internship and allowed me to work under her efficient guidance. I got to know about BRAC Bank's Operations and Activities from her which helped me a lot while writing this report. She also helps me to collect various types of data from BRAC Bank.

I would also like to thank the other members of the "Business Reporting – SME" department. All of them were very friendly and helped me a lot in every possible way during my internship.

By helping others, today me and myself can completed the internship report "An Appraisal of BRAC Bank Limited". In this report I tried to give my best to measure the performance of the BRAC Bank Ltd. I hope this report can fulfill all the requirement of the internship topic.

# Table of Contents

<b><u>Contents</u></b>	<b><u>Page No.</u></b>
Executive Summary .....	1
Origin of the Report .....	2
Objective .....	2
Methodology .....	2
Scope .....	2
Limitations .....	3
Source .....	3
<b>Chapter-1: Banking Sector in Bangladesh</b>	<b>4</b>
1.1: History of Banking .....	5
1.2: Banking System of Bangladesh .....	5
1.3: Number and Types of Banks .....	6
<b>Chapter-2: An Overview of BRAC Bank Limited</b>	<b>9</b>
2.1: Historical Background .....	10
2.2: Vision .....	11
2.3: Mission .....	11
2.4: Goal .....	11
2.5: General Information .....	11
2.6: Functional Units of BRAC Bank Ltd. ....	14
2.7: Business Divisions of BRAC Bank Ltd. ....	15
2.8: Banking Services .....	16
2.9: Corporate Social Responsibilities of BRAC Bank Ltd. ....	18
<b>Chapter-3: SME Banking in BRAC Bank Limited</b>	<b>20</b>
3.1: Definition of SME .....	21
3.2: SME Banking Division of BRAC Bank Ltd. ....	21
3.3: SME Credit Team .....	26
3.4: Types of SME Loan .....	27
3.5: SME Products .....	27
3.6: SME Loan Approval Authority .....	34

<u>Contents</u>	<u>Page No.</u>
<b>Chapter-4: Performance Appraisal of BRAC Bank Limited</b>	<b>35</b>
4.1: Capital Adequacy .....	36
4.2: Fund Management .....	38
4.3: Asset .....	39
4.4: Deposit .....	39
4.5: Loans & Advance .....	42
4.6: Investment .....	43
4.7: Operating Profit .....	43
4.8: Non-Funded Income .....	44
4.9: Earning Per Share (EPS) .....	45
4.10: Return on Asset (ROA) .....	45
4.11: Return on Investment (ROI) .....	46
<b>Chapter-5: CAMEL Rating of BRAC Bank Limited</b>	<b>47</b>
5.1: Introduction .....	48
5.2: CAMEL Rating Process .....	49
5.3: Measuring CAMEL Rating ratios for BRAC Bank Ltd. ....	54
<b>Chapter-6: Comparative Performance of BRAC Bank Limited</b>	<b>59</b>
6.1: Comparative Graphical Representation .....	61
6.2: Comparative Ratio Analysis .....	63
<b>Chapter-7: Findings, Recommendations &amp; Conclusion</b>	<b>67</b>
7.1: Findings of the report .....	68
7.2: Recommendation .....	70
7.3: Conclusion .....	71
<b>Bibliography .....</b>	<b>72</b>

# Executive Summary

At present 30 Private Commercial Banks are operating in Bangladesh. BRAC Bank Limited is one of the leading third-generation banks in Bangladesh. BRAC Bank is a scheduled commercial bank established under the Banking Companies Act, 1991. The bank began its journey on 4<sup>th</sup> July 2001 with a primary objective of offering all types of commercial banking activities. The core business of the bank comprises of Corporate Banking, Retail Banking, SME Banking and Foreign Trade and Treasury Functions. BRAC Bank Limited has brought revolution in the banking sector of Bangladesh by their SME Banking.

Currently the Bank has 34 branches and 400 SME Unit Offices situated all over the country. General Public and BRAC hold the majority shares of BRAC Bank Limited. Also International Finance Corporation (IFC) and Shorecap International have significant shareholdings in the bank. As on December 2007, BRAC Bank Ltd. had 8 directors with Mr. Fazle Hasan Abed in the chair. At 31<sup>st</sup> December, 2007 the Paid-up Capital and Total Asset were Tk.1200.00 million and Tk.46382.60 million respectively. Total Deposit of BRAC Bank stood at Tk.37368.41 million on 31<sup>st</sup> December, 2007, while total Loans & Advances stood at Tk.32461.10 million.

BRAC Bank Limited has a strong management consisting of a number of experienced & skilled officials. A group of devoted & well trained employees are working hard to render the best service to the clients. BRAC Bank has adopted latest technology to improve their quality of services.

BRAC Bank is a socially responsible organization with an obligation to consider the interests of customers, employees, shareholders, communities and ecological considerations in all aspects of its operations.

BRAC Bank Ltd. has maintained significant growth since inception. It holds a satisfactory level in the CAMEL Rating and its Profitability is also satisfactory. Although BRAC Bank Ltd. is not ranked among the top PCBs, still it has been able to build a respectable position due to dedicated management and innovative banking services to its clients. If the management of BRAC Bank can overcome the few drawbacks it has and come-up with effective marketing & financial strategies, BRAC Bank Ltd. can enter the list of leading PCBs in Bangladesh.

## **ORIGIN OF THE REPORT :**

The internship program is an integral part of the BBA program that all the students of East West University of Bangladesh have to undergo. The students are sent to various organizations where they are assigned with a project. At the end of the program, the intern is required to place the accomplishments and findings of the project through the writing of the internship report covering the relevant topics. During this program, supervisors guide each student- one from the university and the other from the organization.

## **OBJECTIVE :**

The main objective of the report is to appraise the overall performance of BRAC Bank Limited. This report also helped me to develop my concept of commercial banking system and its operations. The other objectives are:

- To know about the previous and present Banking system of BRAC Bank Limited.
- To get idea about the current financial health of the bank.
- To analysis the performance of BRAC Bank Limited.
- To get idea about the SME Banking.
- To study strengths and weakness of the BRAC Bank.
- To get idea of the BRAC Bank position comparisons to other bank.

## **METHODOLOGY :**

- Collecting primary data by interviewing the employees of BRAC Bank Ltd. and by practical observation.
- Collecting secondary data from annual reports, journals, periodicals & other publications.

## **SCOPE :**

The study would focus on the overall performance of BRAC bank Ltd. i.e. their financial condition, how they maintain it, their loan or deposit portfolio. It also focuses on BRAC Bank's history and mechanism, policies and performance analysis.





**LIMITATIONS :**

1. Three months time is inadequate to study about performance of the bank. So I had some shortage of understanding which created obstacles in appraising the performance of BRAC Bank Ltd.
2. It was very difficult to collect information from the bank as the employees are too busy to answer the queries.
3. Lack of experience has acted as constraint in the way of meticulous exploration on the topic.
4. Bank's policy of not disclosing some data and information for obvious reasons.

**SOURCE :**

1. Primary data was collected by interviewing the employees of BRAC Bank.
2. Secondary data was collected from the Websites and the Annual Report of BRAC Bank Ltd., Mercantile Bank Ltd., Southeast Bank Ltd. and few other websites and books.

**Chapter - 1**  
**Banking Sector in Bangladesh**

## **Banking Sector in Bangladesh**

### **1.1 History of Banking:**

The Jews in Jerusalem introduced a kind of banking in the form of money lending before the birth of Christ. The word 'bank' was probably derived from the word 'bench' as during ancient time Jews used to do money-lending business sitting on long benches.

First modern banking was introduced in 1668 in Stockholm as 'Svingss Pis Bank' which opened up a new era of banking activities throughout the European Mainland.

In the South Asian region, early banking system was introduced by the Afghan traders popularly known as Kabuliwallas. Muslim businessmen from Kabul, Afghanistan came to India and started money lending business in exchange of interest sometime in 1312 A.D. They were known as 'Kabuliawallas'.

### **1.2 Banking System of Bangladesh:**

The banking system at independence consisted of two branch offices of the former State Bank of Pakistan and seventeen large commercial banks, two of which were controlled by Bangladeshi interests and three by foreigners other than West Pakistanis. There were fourteen smaller commercial banks. Virtually all banking services were concentrated in urban areas.

The newly independent government immediately designated the Dhaka branch of the State Bank of Pakistan as the central bank and renamed it the Bangladesh Bank. The bank was responsible for regulating currency, controlling credit and monetary policy, and administering exchange control and the official foreign exchange reserves.

The Bangladesh government initially nationalized the entire domestic banking system and proceeded to reorganize and rename the various banks. Foreign-owned banks were permitted to continue doing business in Bangladesh.

Later private investors were allowed to step into the banking sector. Gradually the number of private banks increased in the country and they start to dominate the banking sector.

### **1.3 Number and Types of Banks:**

Bangladesh Bank is the central bank of Bangladesh. 48 commercial banks have been operating in Bangladesh under the supervision of Bangladesh Bank till December 2007. Out of the 48 banks, 4 are Nationalized Commercial Banks (NCBs), 30 Private Commercial Banks (PCBs), 5 Specialized Banks and 9 Foreign Banks.

#### **1.3.1 Bangladesh Bank:**

Bangladesh Bank (BB) has been working as the central bank since the country's independence. Its prime jobs include issuing of currency, maintaining foreign exchange reserve and providing transaction facilities of all public monetary matters. BB is also responsible for planning the government's monetary policy and implementing it thereby.

#### **1.3.2 Nationalized Commercial Banks (NCBs):**

There are four NCBs in Bangladesh. Except Sonali Bank, the rest three are under the process of privatization.

- 1) Sonali Bank
- 2) Janata Bank
- 3) Agrani Bank
- 4) Rupali Bank

#### **1.3.3 Private Commercial Banks (PCBs):**

- 1) Prime Bank Ltd.
- 2) ShahJalal Bank Ltd.
- 3) Standard Bank Ltd.
- 4) EXIM Bank Ltd.
- 5) Mercantile Bank Ltd.
- 6) National Credit & Commerce Bank Ltd. (NCC)

- 7) Pubali Bank Ltd.
- 8) South East Bank Ltd.
- 9) Mutual Trust Bank Ltd.
- 10) Dutch-Bangla Bank Ltd.
- 11) Premier Bank Ltd.
- 12) The Trust Bank Ltd.
- 13) Bank Asia Ltd.
- 14) Jamuna Bank Ltd.
- 15) BRAC Bank Ltd.
- 16) One Bank Ltd.
- 17) Dhaka Bank Ltd.
- 18) Eastern Bank Ltd.
- 19) Islami Bank Bangladesh Ltd.
- 20) Uttara Bank Ltd.
- 21) National Bank Ltd.
- 22) The City Bank Ltd.
- 23) Social Investment Bank Ltd.
- 24) First Security Bank Ltd.
- 25) IFIC Bank Ltd.
- 26) AB Bank Ltd.
- 27) United Commercial Bank Ltd.
- 28) Al-Arafah Islami Bank Ltd.
- 29) Bangladesh Commerce Bank Ltd.
- 30) The Oriental Bank Ltd.

\* Order has been determined by the CAMEL Rating of the Banks for the year 2007.

#### 1.3.4 Specialized Banks:

- 1) Bangladesh Small Industries & Commerce Bank Ltd. (BASIC Bank Ltd.)
- 2) Bangladesh Shilpa Rin Sangstha
- 3) Bangladesh Shilpa Bank
- 4) Bangladesh Krishi bank
- 5) Rajshahi Krishi Unnayan Bank

\* Order has been determined by the CAMEL Rating of the Banks for the year 2007.

### 1.3.5 Foreign Banks:

- 1) Commercial Bank of Ceylon
- 2) State Bank of India
- 3) Standard Chartered Bank
- 4) City Bank NA
- 5) Habib Bank Ltd.
- 6) National Bank of Pakistan
- 7) Bank Alfalah
- 8) Woori Bank
- 9) HSBC Ltd.

\* Order has been determined by the CAMEL Rating of the Banks for the year 2007.

### 1.3.6 Other Banks:

The following financial institutes are also performing as bank in Bangladesh though they cannot issue cheque:

- 1) Ansar VDP Unnayan Bank
- 2) Bangladesh Samabai Bank Ltd. (BSBL)
- 3) Grameen Bank
- 4) Karmasangsthan Bank

## **Chapter - 2**

### **An Overview of BRAC Bank Limited**

## An Overview of BRAC Bank Limited

### 2.1 Historical Background:

BRAC Bank Limited started its journey on 4<sup>th</sup> July 2001 as a fully operational commercial bank in Bangladesh. Currently, BRAC Bank has 34 Branches, 54 ATMs (Automated Teller Machines), 10 CDMs (Cash Deposit Machines), 500 POS (Point Of Sales) Terminals, 400 SME Unit Offices and 1800 Remittance Delivery Points across the country.

BRAC Bank is operating with a mind to spread and ensure efficient, high quality and reliable banking services by increasing access to economic opportunities for all individuals and businesses in Bangladesh with a special focus on under served enterprises and households across the rural–urban spectrum.

Among the shareholders of BRAC Bank Limited there are General Public, Non-Resident Bangladeshi's and institutional shareholders like BRAC, International Finance Corporation (IFC) and Shorecap International.

**Table 2.1: Corporate Chronicles & Information:**

Important Events	Date
Inauguration of Banking Operations	4 <sup>th</sup> July 2001
First SME unit office	1 <sup>st</sup> January 2002
Signing with Shore Cap as investor	8 <sup>th</sup> May 2004
First ATM installed	3 <sup>rd</sup> April 2005
Preferential share issued	31 <sup>st</sup> January 2006
Signing with infosys and 3i infotech for changing Bank's platform	1 <sup>st</sup> August 2006
24x7 Call Center Opening	10 <sup>th</sup> September 2006
Listing with CSE	24 <sup>th</sup> January 2007
Listing with DSE	28 <sup>th</sup> January 2007
Commencement of share trading in DSE and CSE	31 <sup>st</sup> January 2007
Credit Card launching	February 07, 2007
Introduced Probasi Banking	April 14, 2007
Launching of Omnibus with 12 member banks	November 20, 2007



## 2.2 Vision:

The Vision of BRAC Bank is to be a unique organization in Bangladesh. Continuous improvement, Problem Solution, Excellence in service, business prudence, efficiency and adding value is the operative words of the organization.

## 2.3 Mission:

BRAC Bank has started operation with a Mission to adhere highly professional and ethical business principles and internationally acceptable banking and accounting standards.

## 2.4 Goal:

BRAC Bank's Goal is to be the absolute market leader in the number of loans given to small and medium sized enterprise through out Bangladesh. The Bank also had the objective of offering innovative banking services to urban corporate institutions and retail clients.

BRAC Bank believes that the pursuit of profit and development goals are mutually reinforcing and thus it will increase the ability of under-served individuals and enterprises to build their asset base and will enable them to access market opportunities. Thus this endeavor will increase the economic well being for all Bangladeshis and at the same time will contribute towards the profitability of the bank. It's long term strategy is to go where the market is.

BRAC Bank Limited was the first Bangladeshi scheduled bank to be fully online with all the branches with a centralized database for online consolidation. The integrated online banking provides comprehensive and robust customer services to its clients as well as increases effectiveness and efficiency of the management.

## 2.5 General Information:

### Slogan:

The slogan of BRAC Bank Ltd is Astha Obichol. It is brand promise of the bank. It is a Bengali word that denotes trust on BRAC Bank Ltd.

**LOGO:**

The logo of BRAC Bank Ltd has been made keeping in mind the goal of the organization. The square structure of the logo means solid and strong. The golden color means the “Sonar Bangla” the rising line means the rising BRAC Bank, and blue is the beautiful sky where sun is shining brightly.

**Nature of Business:**

BRAC Bank Ltd. offers services for all banking needs of the customers, which includes deposit banking, Investment, export and import financing, inland and international remittance facilities, online Banking services.

**Membership:**

- Bangladesh Association of Banks
- The Institute of Bankers, Bangladesh
- International Chamber of Commerce
- Metropolitan Chambers of Commerce & Industry
- American Chamber of Commerce in Bangladesh
- Bangladesh Employers’ Association

**Image and Reputation of the Bank:**

The name “BRAC” has a good brand image in Bangladesh. As a creative organization and for quality services BRAC Bank Ltd. already obtained full satisfaction of the valued customers. In SME sector they earned much reputation for their successful participation as financial institution. Besides achieving great success and honor in domestic land they also built up a strong image outside Bangladesh in international trade for their customers.

**Number of Employee:****Table 2.2: Year wise Employee Position**

<b>Particulars</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>No. of Employee</b>	1216	1650	3047	4428

## Board of Directors:

**Table 2.1: Name of the Board of Directors**

<b>Name</b>	<b>Designation</b>
1. Mr. Fazle Hasan Abed	Chairman
2. Mr. Syed Humayun Kabir	Director
3. Mr. Md. Aminul Alam	Director
4. Mr. Quazi Md. Shariful Ala	Director (Nominated by BRAC)
5. Mr. Muhammad A. (Rume) Ali	Director (Nominated by BRAC)
6. Ms. Nihad Kabir	Director (Independent Director)
7. Mr. Mark A. Coffey	Director (Nominated by Shore Cap International Limited)
8. Mr. Kaiser Tamiz Amin	Acting Managing Director & CEO

## Shareholding Position:

**Table 2.2: Shareholding Structure of BRAC Bank Limited  
(As on 31 December 2007)**

<b>Sl. No.</b>	<b>Name Of Shareholders</b>	<b>Number of Share</b>	<b>Amount (Taka)</b>	<b>% of Share</b>
1	BRAC	3,808,680	380,868,000	31.74
2	Mr. Fazle Hasan Abed	120	12,000	0.001
3	Mr. Syed Humayun Kabir	120	12,000	0.001
4	Mr. A. S Mahmud	120	12,000	0.001
5	Mr. Faruq A. Choudhury	120	12,000	0.001
6	Mr. Dr. Salehuddin Ahmed	120	12,000	0.001
7	Mr. Md. Aminul Alam	120	12,000	0.001
8	ShoreCap International Ltd.	1,050,840	105,084,000	8.75
9	International Finance corporation (IFC)	1,139,760	113,976,000	9.50
10	Mutual Fund	289,980	28,998,000	2.42
11	Non-resident Bangladeshi	56,885	5,688,500	0.47
12	Institutions & General Public	5,653,135	565,313,500	47.11
	<b>Grand Total</b>	<b>12,000,000</b>	<b>1,200,000,000</b>	<b>100.00</b>

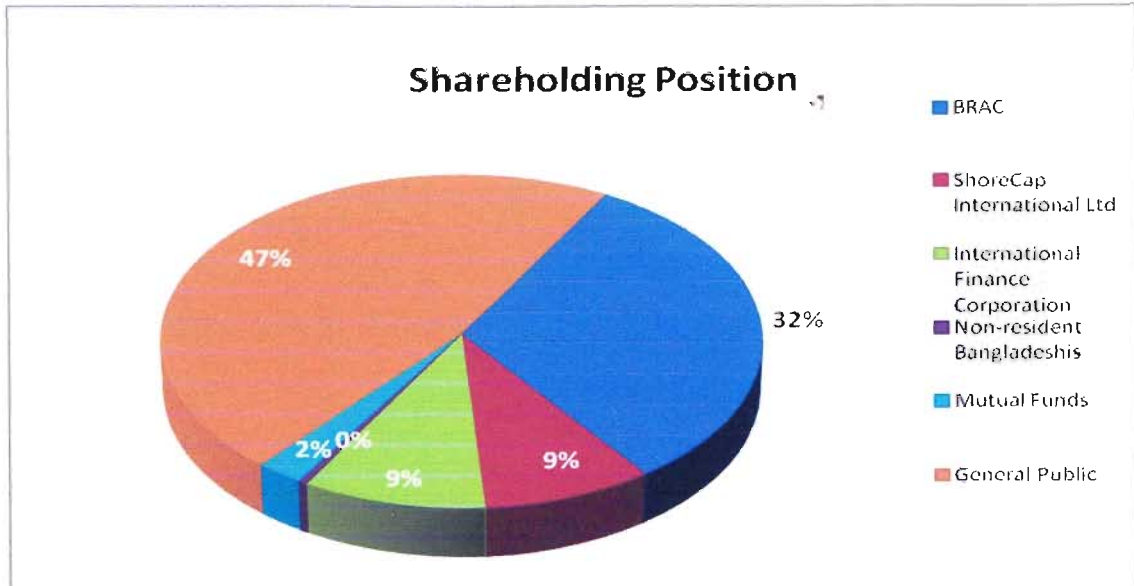


Chart-1: Shareholding Position

## 2.6 Functional Units of BRAC Bank Ltd.:

1. SME Banking
2. Retail Banking
3. Corporate Banking
4. Secure Remittance Service
5. Treasury
6. Credit Cards
7. Marketing and Corporate Affairs
8. Risk Management & Company Secretariat
9. Asset Operation
10. Consumer Service Delivery
11. Channel Infrastructure Development
12. General Infrastructures Services
13. Financial Administration
14. Impaired Asset Management
15. Treasury Operations
16. Payment Services
17. Process-Service-Risk-MIS (PSRM)

## 2.7 Business Divisions of BRAC Bank Ltd.:

BRAC Bank Limited also has four major business divisions:•

1. Corporate Banking Division
2. Retail Banking Division
3. Small & Medium Enterprise Division
4. Foreign Trade & Treasury Division

Short introduction of these four business divisions is given below:

### **2.7.1 Corporate Banking Division:**

To keep pace with the growing and changing demand of corporate customers, Corporate Banking provides tailored products and services along with relationship banking toward its customers. Corporate Banking assists customers by providing relationship banking, listening to their ideas, working with them to deliver expertise that support the achievement of their business objectives. Corporate Banking operates through the following five major units:

- Structured Finance
- Local Corporate Unit
- Leasing Institutions Unit
- Medium Enterprise Unit
- Cash Management and Corporate Liabilities

### **2.7.2 Retail Banking Division:**

BRAC Bank is one of the fastest growing retail banks in terms of acquisition. It started its retail journey in 2003 with only 11000 accounts and at present it is holding more than 400000 accounts. This sheer growth in customer acquisition has been possible just because of right business focus, clear segmentation and implementation of proper process. One of main successes is to gather the best retail banking people available in the market. The group is a blend of not only the experienced retail bankers but also experienced personnel from different multinational retail business of different industries. BRAC Bank Ltd. offers all sorts of retail banking products and services to its customers.

### 2.7.3 Small & Medium Enterprise (SME) Division:

BRAC Bank primarily focuses on pursuing unexplored market niches of SME Business that were under-served by the banking industry at large. SME's were considered as "expensive" to serve because of the special needs of those who belong to this large group and because of their diversity and geographical dispersion. But BRAC Bank believes that this sector of the economy can contribute the most to the rapid generation of employment in Bangladesh and is serving this sector by providing loan to lower income level people through the SME Division.

### 2.7.4 Foreign Trade & Treasury Division:

BRAC Bank's Foreign Trade and Treasury Division is well equipped with modern telecommunication infrastructure facilities like: SWIFT, Reuters, Bloomberg, Internet, Voice Recorder etc. Treasury manages the Bank's liquidity and its associated risk. It also manages foreign exchange transaction related risk exposure in a most profitable manner.

## 2.8 Banking Services:

The Retail and Corporate Banking Division of BRAC Bank offers the following services to their clients:

### 2.8.1 Depository Services:

BRAC Bank offers various types of deposit product to its retail and corporate clients which includes:

1. Savings Bank Account
2. Current Account
3. Fixed Deposit Account
4. Short Term Deposit Account (STD)
5. Deposit Pension Scheme (DPS)
6. Foreign Currency Account
7. Convertible Taka Account
8. Special Deposit Schemes

### 2.8.2 Credit Facilities:

BRAC Bank provides various types of credit facilities to its retail and corporate clients which includes:

1. Personal Loans
2. Commodity Finance
3. Trade Finance
4. Working Capital Finance
5. Project and Infrastructure Finance
6. Issuance of Guarantee
7. Credit Card

### 2.8.3 Foreign Trade:

Foreign Trade Facilities includes:

1. Issuance of Import L/C and Guarantees.
2. Advising and confirming Export L/Cs. - Bonds and Guarantees.

### 2.8.4 Other Services:

1. Provides Online Banking Facilities.
2. Remit funds from one place to another through DD, TT and MT etc.
3. Collects Cheques, Bills, Dividends and issues Pay Orders, etc.
4. Issues of Traveler's Cheque.
5. ATM Facility for 24 hour banking.
6. Locker facility for safe keeping of valuables and documents.

BRAC Bank Ltd. has brought revolution in the banking sector of Bangladesh by providing SME Banking services to the Small and Medium Enterprises through its SME Unit Offices situated all over the country. BRAC Bank Ltd. has designed special type of deposit and loan products to serve these market niches more effectively and efficiently.

## 2.9 Corporate Social Responsibilities of BRAC Bank Limited:

BRAC Bank is a socially responsible organization with an obligation to consider the interests of customers, employees, shareholders, communities and ecological considerations in all aspects of its operations. This obligation is seen to extend beyond its statutory obligation to comply with legislation. In line with vision of BRAC Bank, Corporate Social Responsibility is closely linked with the principles of sustainable development, which argues that it should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long-term social and environmental consequences of its activities.

As a part of its Corporate Social Responsibility BRAC Bank donated \$38,252 to ICDDRDB for the renovation of a temporary shed that was thronged with diarrhoea patients soon after the recession of flood water of last year. A Co-Branded Credit Card was also introduced to maintain an ongoing support for ICDDRDB.

BRAC Bank employees have made a contribution of Tk.1.35 million; equivalent to their one-day's salary to BRAC for its countrywide flood relief and rehabilitation activities on August 2007.

BRAC Bank has sponsored the 2nd National Women Entrepreneur Conference 2008, where women entrepreneurs from all over Bangladesh have participated to attend in the workshops and knowledge sharing activities undertaken by SME Foundation of Bangladesh.

To assist Bangla Academy with their publication and research and development initiatives BRAC Bank has lend their support to carry forward their projects. Also BRAC Bank has supported in stall preparation and beautification of Amor Ekushey Boi Mela 2008, this initiative was taken to make the fair enjoyable for participants as well as the visitors.

Six new immigration counter of Zia International Airport is established for outgoing passengers by BRAC Bank with proper branding and computer assistance to mitigate the time constraint and pressure of increasing number of passenger. A Probashi information counter is created for the wage earners who can gather information about sending foreign remittance to Bangladesh.



To conserve nature and alleviate the illegal slay of immigrant birds, BRAC Bank has sponsored Pakhi Mela 2008 organized by Jahangirnagar University.

BRAC Bank took an initiative to stand by the SIDR affected people of Barishal and Khulna with relief. A number of employees distributed dry food, water, clothes, medicine etc. among the SME borrowers.

A donation of Tk .1 million was made to an art exhibition of “Shako” a 12 women artist organization. The total money collected by selling the paintings was donated to Apon Drug Rehabilitation Center.

To encourage and create awareness on SME development of Bangladesh BRAC Bank has sponsored AMDIB Forum organized by Institute of Business Administration (IBA), this forum has helped the participants to share views, get key insight and discussed about the ways to alleviate problems faced by SME entrepreneurs, while seeking financial support.

BRAC Bank has also supported annual fund raising program of SAARC Women's Association Dhaka to support and assist Islamia Eye Hospital and Dhaka Shishu Hospital for operation and treatment.

To support the humanitarian endeavors of Rotary International like, polio plus program, cancer detection unit, drug abuse and HIV/AIDS advocacy, BRAC Bank has sponsored a conference organized by Rotary International.

As a part of its corporate policy BRAC Bank does not provide any financial support to any environmentally hazardous or child labor exploited company.

## **Chapter - 3**

# **SME Banking in BRAC Bank Limited**

## SME Banking in BRAC Bank Limited

### 3.1 Definition of SME:

SME stands for Small and Medium Enterprise. The “*Policy Strategies for Development of Small & Medium Enterprises (SME) 2005*” published by SME Cell of the Ministry of Industries categorizes Small and Medium Enterprises using the following definitions.

#### **a. Manufacturing enterprise**

- **Small enterprise:** an enterprise should be treated as *small* if, in current market prices, the replacement cost of plant, machinery and other parts/components, fixtures, support utility, and associated technical services by way of capitalized costs (of turn-key consultancy services, for example), etc. excluding land and building, were to be up to Tk.15 million;
- **Medium enterprise:** an enterprise should be treated as *medium* if, in current market prices, the replacement cost of plant, machinery and other parts/components, fixtures, support utility, and associated technical services (such as turn-key consultancy), etc. excluding land and building, were to be up to Tk.100 million.

#### **b. Non-Manufacturing activities (such as trading or other services)**

- **Small enterprise:** an enterprise should be treated as *small* if it has less than 25 workers, in full-time equivalents;
- **Medium enterprise:** an enterprise should be treated as *medium* if it has between 25 and 100 employees.

### 3.2 SME Banking Division of BRAC Bank Ltd.:

SME Banking Division of BRAC Bank Limited ascertained with the specter to establish itself as the market leader in SME financing and to assist country's economic development, serving different productive and contributing sectors in a focused way by mobilizing fund from urban to rural areas. In line with BRAC Bank's vision, the SME Banking Division's objective is to achieve a double bottom line i.e. to build a profitable organization by contributing to the society as well as

the economy through creation of an entrepreneur class in the society eventually eliminating poverty from the country. The deposit collected through the branches of BRAC Bank, which are mostly located in urban Bangladesh, are distributed nation wide to small & medium entrepreneurs through its dedicated SME unit offices located across the country.

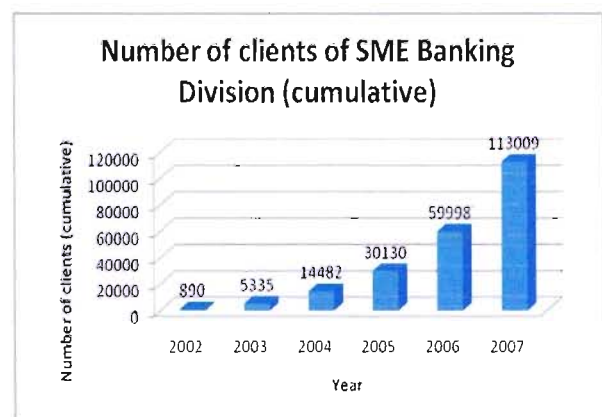
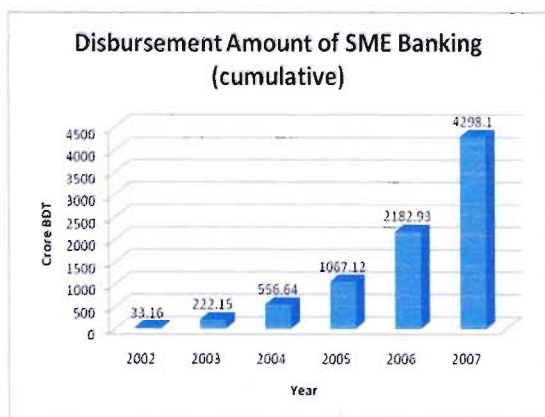
Lifting the country's banking practices to a newer dimension, BRAC Bank Ltd. has introduced a challenging platform wherefrom, it serves a customer base, which, previously was not acquainted with banking products & services along with the micro finance graduates who were in dilemma with regard to the access of credit towards enhancement of their business activities further. BRAC Bank Ltd. is the first bank to address the needs of this "missing middle" in a focused way. BRAC Bank attempts not only to provide financial products and services to this segment but also helps them to be educated and get aware, so that it can be easier for them to acclimatize themselves with the ever changing business world. BRAC Bank has brought a momentous change in the lifestyle of their clients and has significant economic and social contribution in poverty alleviation by upgrading the standard of living by generating employment. According to a research, BRAC Bank has contributed in generating more than 6,00,000 jobs over the last 5 years.

SME Banking division has so far covered 120,000 customers mark and is fully dedicated to boost the customer base by reaching the doorsteps of small and medium enterprises involved in different business sectors and located in different parts in 64 districts of the country. BRAC Bank has long been serving the fund requirements of traders, manufacturers, importers, suppliers & distributors, women entrepreneurs and other service providers like medical institutions & educational institutions in a focused way. SME Banking division has also introduced a unique way of reaching the clients, spread throughout the country with 2000 efficient & dedicated people deployed in the 400 unit offices.

SME Banking Division's core competency is a combination of providing loans that are collateral free and offering a service that is quick, prompt and without any hassle. By doing this, the SME Banking Division has helped to create a social revolution in the banking industry and also has served those who were not bankable to other banks. At present the SME Banking division of BRAC Bank Ltd. offers collateral free loans up to BDT 10.00 lacs or USD 14,000.

As of December 2007, the SME loan portfolio stands at BDT 1908 Crore or USD 272.57 million out of which approximately 95% is collateral free. SME Banking Division is actively involved in providing facilities to the sectors that were mostly underserved by the banking sector and has enabled these borrowers to enjoy banking facilities instead of borrowing money from local moneylenders at extremely high rates.

In 2007, BRAC Bank has excelled in SME Banking operation in almost the same volume that it has achieved from 2002 to 2006 as can be observed from the tremendous growth in Client base by 88% from 2006 to 2007.

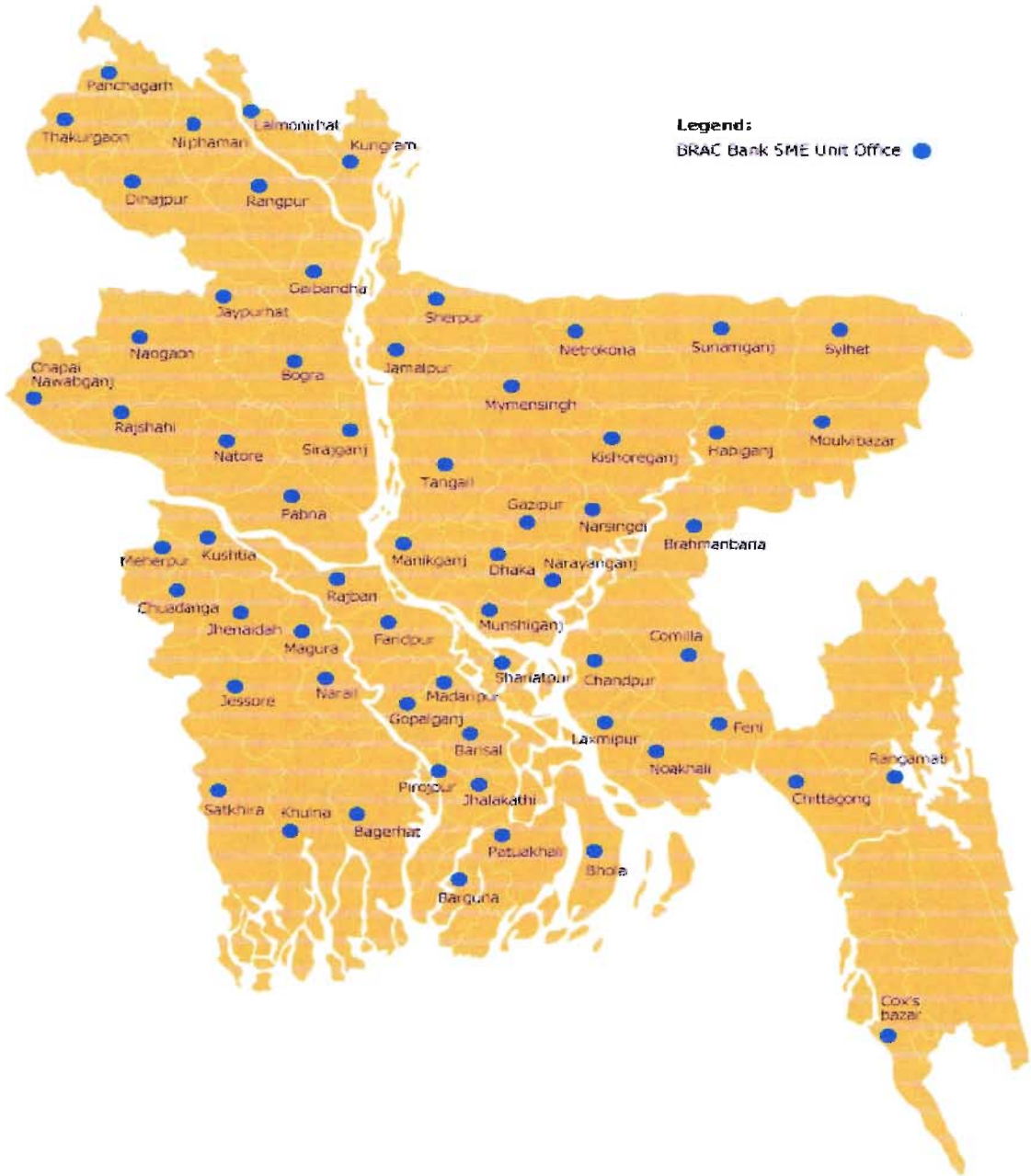


The strengths of BRAC Bank's SME Banking Division behind the success of growth are as follows:

- Dynamic human resource
- Countrywide distribution network & coverage
- Continuous development in creating innovative products
- Unique loan approval process & monitoring
- Robust risk management system

Till 2006, BRAC Bank Limited was the SME lender, but from 2007 onwards BRAC Bank Limited took a deliberate strategic approach to be the SME Banker. Hence, the bank has participated in countrywide road shows and has entered into strategic alliance with national & international chamber bodies to build awareness and opted to provide with both deposit & loan products along with various other banking services coupled with state of art & technology.

Now that the Bank has expanded its businesses across the country, the need has arisen for a segment-oriented approach to SME Banking. The different niches within the SME market need to be approached individually. Therefore, SME Banking Division of BRAC Bank Limited has well equipped itself with market focus units, with exclusive products & new strategies to serve varying banking requirement of the diverse Small & Medium Enterprises across the country specially the funding part.



BRAC Bank serves the Small and Medium Enterprises through its 400 SME Unit Offices situated at different parts of the country. Customer Relation Officers (CRO) operates the SME Banking at the Unit offices. Some Units comprise a Zone which is headed by a Zonal Manager. Again some Zones comprise a Territory headed by a Territory Manager. All the Territories across the country are monitored by Four BDMs. And the central SME Division monitors all of them.

The central SME Division has following wings for monitoring and controlling SME Loans disbursed by the unit offices across the country:

- 1) WEC (Women Entrepreneur Cell)
- 2) LBC (Large Business Cell)
- 3) MFC (Manufacturing Cell)
- 4) SDFC (Supply and Distribution Finance Cell)
- 5) SOD (Secured Overdraft)
- 6) GEN (General Loan)
- 7) RC (Recovery Cell)
- 8) CCC (Credit Consumer Cell)

#### **Correspondence Banks:**

Where BRAC Bank does not have any Unit offices, it distributes SME Loans through its Correspondence Banks namely The City Bank Ltd., Janata Bank, Krishi Bank, Pubali Bank Ltd., Agrani Bank and Rupali Bank.

BRAC Bank Limited proved its success in global SME financing sector by becoming one of the four most profitable and sustainable SME banks in the world, rated by Council of Microfinance Equity Funds (CMEF), USA following a global research. The other three renowned banks are Bank Rakyat Indonesia (BRI), Bank Compartamos (Mexico) and Equity Bank (Kenya). The success of SME Banking division extensively depends on the customer's success in achieving goal with the required & timely assistance.

SME Banking Division is confident enough to continue its ever increasing growth to take the bank ahead of its imagination and to erect newer and startling milestones in banking industry.

### 3.3 SME Credit Team:

The SME Division has a SME Credit Team for analyzing and recommending the loans and advances distributed to Small and Medium Enterprises. Unlike Corporate and Retail Division where all loan proposals require approval from Head office, SME Credit Team deals with approval of loan proposals amounting more than Tk.5.00 lac. Zonal Officers are delegated the authority to approve loan amount upto Tk.5.00 lac.

#### 3.3.1 Objectives of SME Credit Team:

- Managing credit risk
- Managing credit risk exposure
- Compliance with the rules/guidelines of Bangladesh Bank
- Compliance with the rules/policies of BRAC Bank

**The policies SME Credit Team follows for SME are:**

- Product Program Guideline for each SME product
- Environmental Policy
- Other regulatory policies

#### 3.3.2 Functions of SME Credit Team:

- Thorough Study
- Ascertaining Financials by different type of communication
- Trade Checking
- Calculation of Cash Flow
- Identification of Risks and Risk Mitigates
- Recommending for appropriate Loan amount with tenure

#### 3.3.3 Working Process of SME credit Team:

After receiving credit proposal from CROs of SME Banking Division, SME Credit Team go thorough the proposal not limited to credit assessment but also cross check the data in line with BBL policy and Bangladesh Bank guidelines side by side considering supporting papers / documents.



The SME Credit of Credit Division may visit factory and office premises of SME borrowers as when required, usually with the SME Banking Division. However, a separate factory/ business premises visit report will be prepared by Credit Division signed by the assigned Officer.

Credit Analyst will analysis financials (i.e. working capital assessment, spread sheet) and will recheck the score sheet. If the proposal comply with SME Checklist / PPG / Policy and purpose of the facility / justification are satisfactory, place the proposal to appropriate approving authority after recommendation.

The officer of SME Credit should identify any exception required in the proposal and ensure whether it is properly recommended/ supported by the authorized person.

### 3.4 Types of SME Loan:

Depending on the nature, SME loans are of two types: Term loan and Continuous (Cash covered) loan. Term loans are again of two types depending on the tenure of the loan:

- (i) Short Term: up to 12 months and
- (ii) Long Term: from 12 months to 48 months.

### 3.5 SME Products:

BRAC Bank Ltd. offers various types of SME Products, such as:

1. Bizness Account
2. Anonno Rin
3. Apurbo Rin
4. Pathshala Rin
5. Aroggo Rin
6. Digoon Rin
7. Prothoma Rin
8. Cash Secured Loan
9. Bizness Loan
10. Proshar
11. Trade Plus
12. Super Supply Loan

### 3.5.1 BUSINESS Account:

“Business Account” is an interest bearing current account for sole proprietorship business Entrepreneur.

#### Eligibility:

- Small and medium sized business entrepreneur of a sole proprietorship business
- Opening balance only BDT 10, 000.00.

#### Features:

- 4% interest on daily balance.
- Smart Business Card.
- Cash withdrawal limit in ATM BDT 1,00,000 per day and any amount in POS.
- 24 hour Access to ATMs/ POS.
- Tk-50, 000 withdrawn facility (per day) from ATM & Tk-100, 000 from POS.
- No Minimum Balance, No Ledger Fees, No hidden cost.
- Phone-Banking, Online Banking, SMS Banking, Internet Banking facility.

### 3.5.2 Anonno Rin:

“Anonno Rin” is a business loan designed to finance small scale trading, manufacturing and service ventures, especially to help small and medium entrepreneurs to meet their short-term cash flow shortages and bridge the fund-flow gaps.

#### Eligibility:

- Entrepreneurs with minimum 2 years experience in the same line of business.
- Business must be a going- concern with more than 1 year in operation.

#### Loan Limit:

- From BDT 3.00 lac to BDT 9.50 lac.

#### Features:

- Loan without mortgage.
- Loan for Working Capital Finance and/or fixed assets purchase.
- Easy repayment system of monthly installment or Single Installment.

- For excellent borrowers who have paid or are paying in due times, discounted rates are offered.

### 3.5.3 Apurbo Rin:

Apurbo is a loan facility for Small and Medium business. Apurbo loan has been designed and targeted for relatively bigger business units requiring loan above BDT 8.00 lac to BDT 30.00 lac.

#### Eligibility:

- Entrepreneurs having a minimum of 3 years of some business activities.
- A business which must be a going concern for 3 years.

#### Loan Limit:

- Starting from BDT 8.00 lac to maximum of BDT 30.00 lac.

#### Features:

- Simple loan processing for expanding your business.
- Quick disbursement.
- Disbursement in one or two installments.
- Flexible monthly repayment plan.

### 3.5.4 Pathshala Rin:

“Pathshala Rin” is a loan designed to meet the needs of small and medium sized private educational institutions, such as kindergartens, schools and colleges etc.

#### Eligibility:

- The educational institution must be in operation for minimum 3 years.
- The educational institute must be a profit making concern.

#### Loan Limit:

- Minimum BDT 3.00 lac to maximum BDT 30.00 lac.

#### Features:

- Loan upto BDT 9.50 lac without Mortgage.
- Loan for purchasing fixed assets.
- Easy monthly installment.

- Minimum documents.
- Easy & faster processing.
- Flexible interest rate based on security and loan amount.

### 3.5.5 Aroggo Rin:

“Aroggo” is a loan allowed to various Health service Provider like private clinics, diagnostics centers and doctors' chambers. The product offers fixed assets purchase financing under equated Monthly Installments.

#### Eligibility:

- Minimum 2(two) years in operation.
- Health center must be located in the same address for at least 6 months.
- Health center must be a profit making concern.
- Doctors having 5 years of experience can avail the loan in his/her personal name.

#### Loan Limit:

- Minimum of BDT 3.00 lac to maximum of BDT 30.00 lac.

#### Features:

- Loan upto BDT 9.50 lac without Mortgage.
- Minimum documents.
- Easy loan processing.
- Loan repayment schedule is spread up to 3 years.
- Flexible interest rate based on security and loan amount.

### 3.5.6 Digoon Rin:

This is a double loan on your deposit. Now you do not need to encash your savings rather you can take double amount of loan on your deposit for your business expansion.

#### Eligibility:

- Entrepreneur having minimum 2 years of business activities.
- The business which must be a going concern for 2 years.
- Cash security (BRAC Bank FDR) 50% of the loan amount.

Loan Limit:

- Minimum of BDT 5.00 lac to maximum of BDT 30.00 lac.

Features:

- Double amount of loan on your deposit.
- Attractive return against the deposit.
- Flexible repayment plan in monthly installment and single installments.
- Quick disbursement.

**3.5.7 Prothoma Rin:**

"PROTHOMA RIN" is a loan facility for small and medium sized business, which are operated by women entrepreneur. The product offers terminating loan facilities for the purpose of working capital finance and/or fixed assets purchase.

Eligibility:

- Entrepreneurs with minimum 2 years experience in the same line of business.
- Minimum 1 (One) year of continuous business history.

Loan Limit:

- From minimum BDT 3 lac up to maximum of BDT 9.5 lac.

Features:

- Loan without Mortgage.
- Easy repayment system.
- Minimum documents.
- Easy & faster processing.
- For excellent borrowers who have paid or are paying in due times, discounted rates are offered.

**3.5.8 Cash Secured Loan:**

"Cash Secured Loan" is a loan facility for small and medium sized business. There are two types of loan facility in the product:

- (i) Secured Loan
- (ii) Secured Overdraft.

These facilities are fully secured by fixed deposit of BRAC Bank.

**Eligibility:**

- 6 (Six) months experience in the same line of business.
- BRAC Bank FDR minimum 100% of loan amount.

**Loan Limit:**

- From minimum BDT 3.00 lac up to maximum of BDT 30.00 lac.

**Features:**

- Loan against FDR.
- Flexible interest rate based on FDR interest rate and loan value.
- Loan for starting new business.

**3.5.9 Bizness Loan:**

Bizness loan is an equated monthly loan facility for all types of business who have healthy bank transactions for the purpose of working capital finance and/or fixed assets purchase.

**Eligibility:**

- Healthy bank transactions.
- Minimum 3 (three) years of continuous business history.
- BRAC Bank FDR 50% of the loan amount for new loan and 30% of the loan amount for repeat loan.

**Loan Limit:**

- From minimum BDT 10.00 lac to maximum of BDT 50.00 lac

**Features:**

- Loan against FDR value.
- Monthly installment system up to 60 months.
- Borrower having loan with other financial institute can also avail Bizness Loan.
- Attractive rate of interest on FDR.

**3.5.10 Proshar:**

"Proshar" is a loan facility for small & medium sized manufacturing business. The product offers loan facilities for working capital finance and/or fixed assets purchase.

**Eligibility:**

- Entrepreneur must have minimum 2 years experience in the same line of business.
- Minimum 2 (Two) years of continuous business history of the enterprise.

**Loan Limit:**

- From minimum BDT 3.00 lac up to maximum of BDT 30.00 lac.

**Features:**

- Without Mortgage up to Taka 9.50 Lac.
- Easy Monthly Installment.
- Favorable Interest Rate based on amount and security.
- Easy & Faster Processing.

**3.5.11 Trade Plus:**

Trade plus is a composite facility for small & medium sized import-oriented businesses to meet their trade finance requirements.

**Eligibility:**

An import oriented business having valid trade license, Import registration certificate, V.A.T. Registration certificate & T.I.N. Certificate.

**Limit:**

- LC (One-Off): BDT 3.00 Lac – BDT 30.00 Lac.
- LC (Revolving): BDT 5.00 Lac – BDT 30.00 Lac.
- LATR: BDT 3.00 Lac – BDT 30.00 Lac.
- Revolving Loan: BDT 5.00 Lac – BDT 30.00 Lac.
- Overdraft: BDT 5.00 Lac – BDT 30.00 Lac.

**Features:**

- Two types of Letter of Credit Facilities – One Off L/C and Revolving L/C.
- Two types of post import finance facility –LATR & Revolving loan.
- Overdraft facility for day to day working expenses.
- Loan tenure of Letter of Credit – 180 days.
- Flexible repayment system.

**3.5.12 Super Supply Loan:**

Super Supply Loan is a loan facility for Suppliers of various large retailers, marketing companies, manufacturing companies and various corporate houses. This product's main objective is to help various Suppliers to meet their financial requirements.

**Eligibility:**

- Entrepreneur having 2 (two) year's experience in the same line of business.
- Operating the current business for last 1 (one) year.

**Loan Limit:**

- From minimum BDT 4.00 lac up to maximum of BDT 30.00 lac.

**Features:**

- Composite fatality of both Overdraft and Revolving limit.
- Customer can withdraw revolving loan amount as desired.
- Convenient repayment system of Revolving limit i.e. equal monthly installment and single installment.

**3.6 SME Loan Approval Authority:**

**Table 3.1: SME Loan Approval Authority**

Approval Authority	Delegated Power
Zonal Officer	Upto Tk.5.00 lac except Digoon and Prothoma from Women Entrepreneur Cell
Credit Approver	Upto Tk.6.00 lac
Manager Credit	Upto Tk.8.00 lac
Manager Credit Approver	Upto Tk.10.00 lac
Head of SME/ Business Development Manager	Upto Tk.20.00 lac
Head of Credit	Upto Tk.30.00 lac



**Chapter - 4**  
**Performance Appraisal of**  
**BRAC Bank Limited**

## Performance Appraisal of BRAC Bank Limited

The performance of a Bank depends on the following parameters:

1. Capital Adequacy.
2. Fund Management.
3. Asset.
4. Deposit.
5. Loans and advances.
6. Investment.
7. Operating Profit.
8. Non Funded Income.
9. Earnings Per Share (EPS).
10. Return on Asset (ROA).
11. Return on Investment (ROI).

The overall performance of BRAC Bank Ltd. has been appraised in the following sections by appraising its performance in the similar fields:

### 4.1 Capital Adequacy:

BRAC Bank Ltd. attained contentedly adequate capital of 12.28 % in the year 2007 compared to the current regulatory requirement of 9.00%. The Tier-I Capital decreased to 8.33% while Tier-II Capital increased to 3.95% in 2007 compared to 10.66% and 2.87% respectively in Tier-I and Tier-II Capital in 2006.

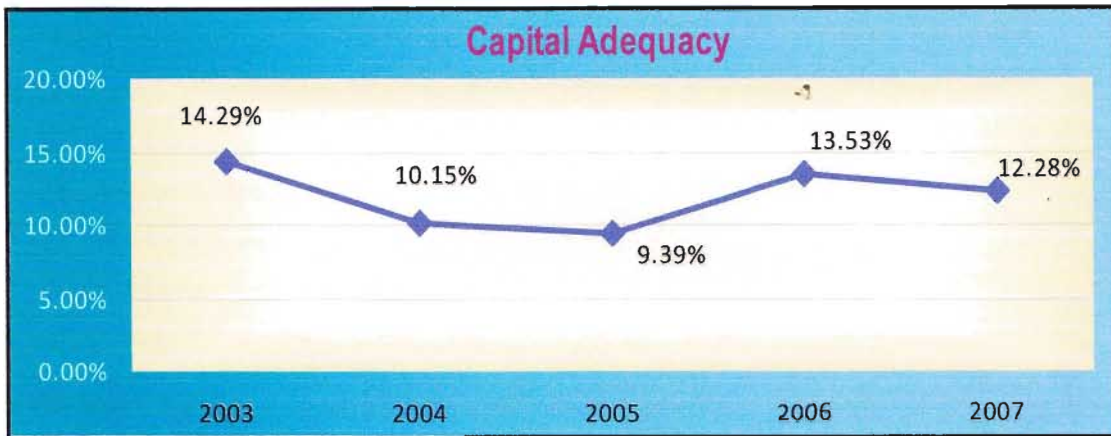
**Table 4.1: Capital Composition**

(Fig in million Tk.)

Capital Composition	2003	2004	2005	2006	2007
Capital - Core (Tier I)*	395.92	590.20	782.88	1,967.14	2571.98
Capital - Supplementary (Tier II)**	28.40	60.08	206.00	529.14	1220.49
<b>Total Capital</b>	<b>424.33</b>	<b>650.28</b>	<b>988.88</b>	<b>2,496.28</b>	<b>3792.47</b>
<b>Capital Adequacy Ratio</b>	<b>14.29%</b>	<b>10.15%</b>	<b>9.39%</b>	<b>13.53%</b>	<b>12.28%</b>

\* Core Capital (Tier-I) includes Paid-up Capital, Share Premium Account, Statutory Reserve and Retained Earnings.

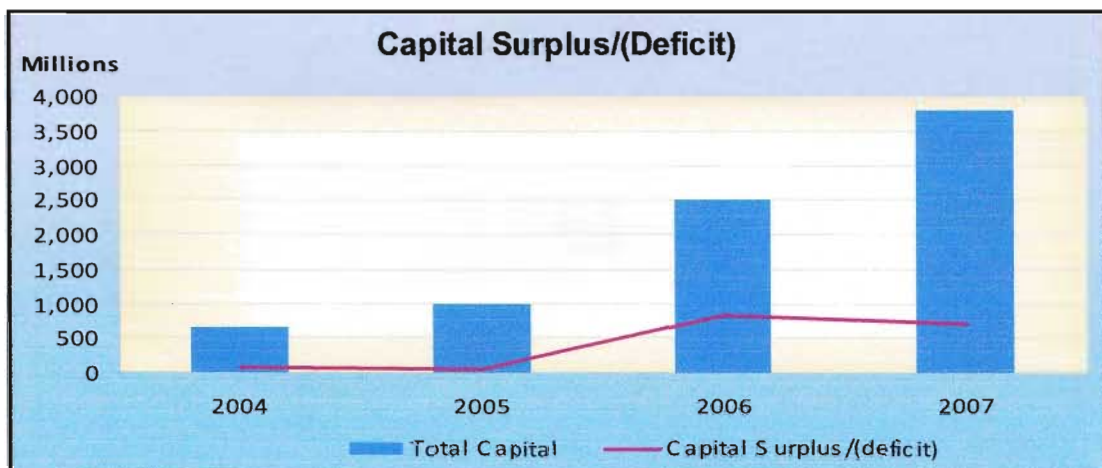
\*\* Supplementary Capital (Tier II) includes General provision (on unclassified loans), Preference Share and Exchange Equalization Fund.



Like all commercial banks BRAC Bank Ltd. has been continuously increasing its capital base every year. Significant growth has been achieved in the year 2006 and 2007 through IPO. BRAC Bank has been maintaining surplus capital which reduced to Tk.704.41 million in 2007 compared to Tk.835.66 million in 2006.

**Table 4.2: Capital Surplus/(Deficit) in the last five years**

Year	Total Capital (in million Tk.)	Capital Surplus/(Deficit) (in million Tk.)
2003	424.33	Nil
2004	650.29	73.68
2005	988.89	40.57
2006	2,496.29	835.66
2007	3,792.47	704.41

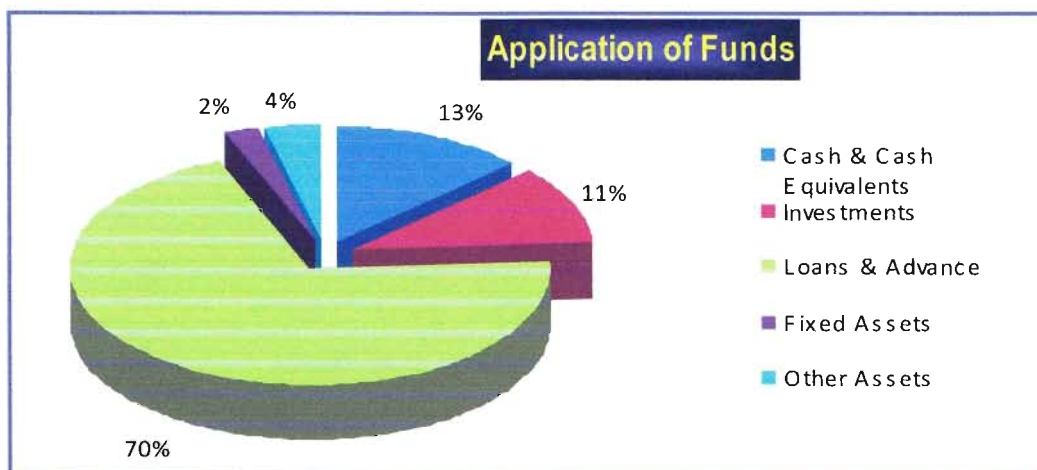
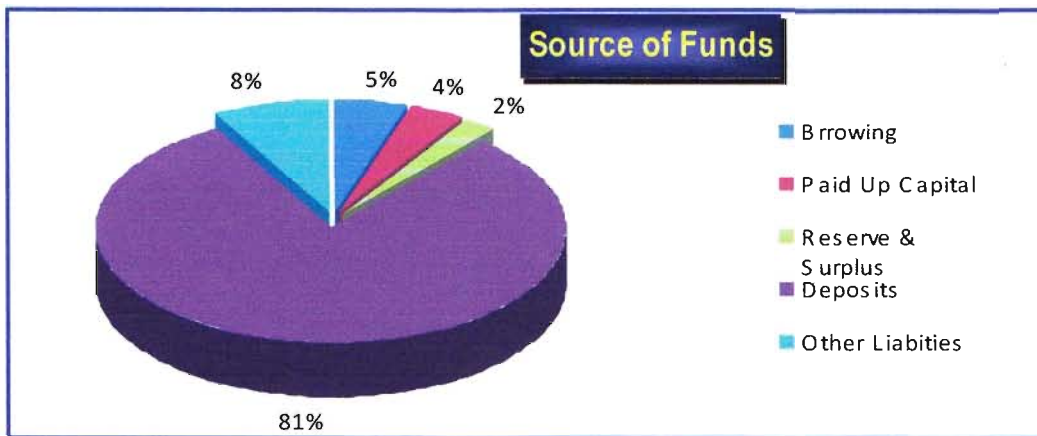


## 4.2 Fund Management:

BRAC Bank Ltd. manages fund from the following sources:-

- a) Borrowings
- b) Paid up Capital
- c) Reserve & Surplus
- d) Deposits
- e) Other Liabilities

In the year 2007, the main source of fund was customer deposits which composed of 81% of the total fund. Bank's major funds were utilized in loans & advances and investments comprising around 70% and 11% respectively of total funds available to the Bank. A portion of fund is maintained in the form of cash and cash equivalents to maintain CRR and SLR which is about to 13% of total funds.



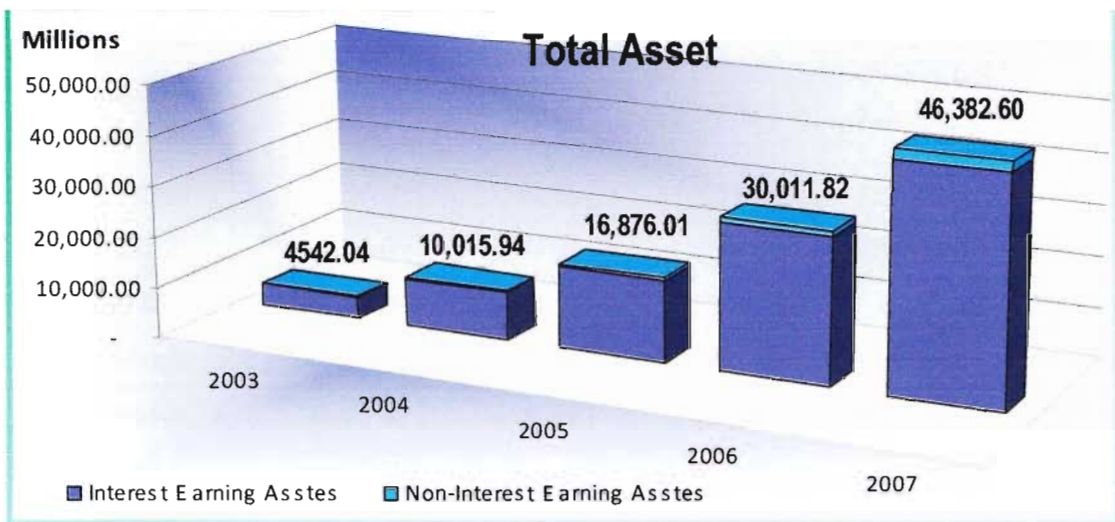
### 4.3 Asset:

Total Assets of the Bank rose to Tk.46,382.59 million in 2007 from Tk.30,011.82 million in 2006 registering a growth of 54.55%. Significant increases in assets documented in loans and advances, investments, fixed assets and cash assets maintained by bank.

**Table 4.3: Total Asset Position in the last five years**

(Figure in million Tk.)

Year	Interest Earning Asset	Non-Interest Earning Asset	Total Asset
2003	4483.03	69.01	4,542.04
2004	9704.67	311.27	10,015.94
2005	16278.38	597.63	16,876.01
2006	28774.32	1237.50	30,011.82
2007	44445.21	1937.39	46,382.60



### 4.4 Deposit:

Customer deposits of BRAC Bank Ltd. grew by 62.46% in 2007. The Bank ended the year 2007 with total customer deposits of Tk.37,368.41 million compared to Tk.23,001.92 million in the year 2006.

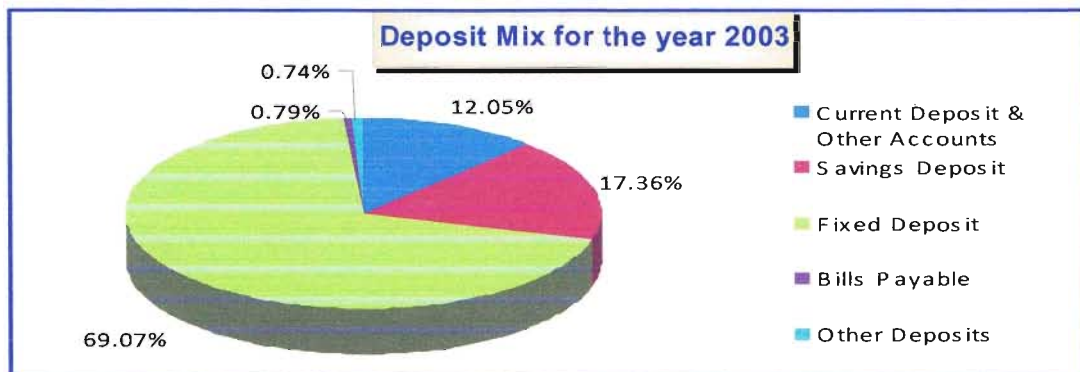


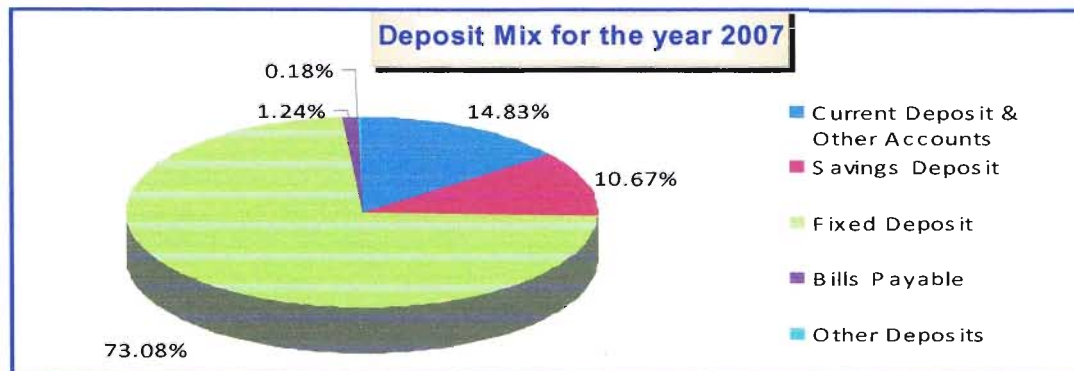
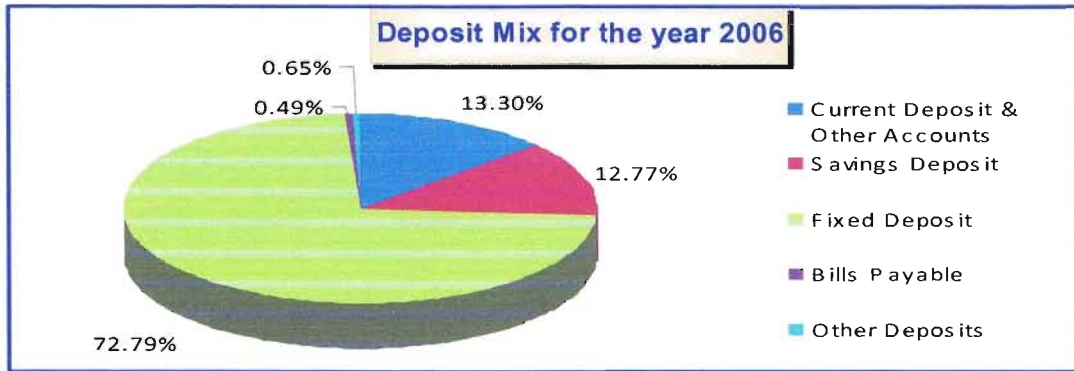
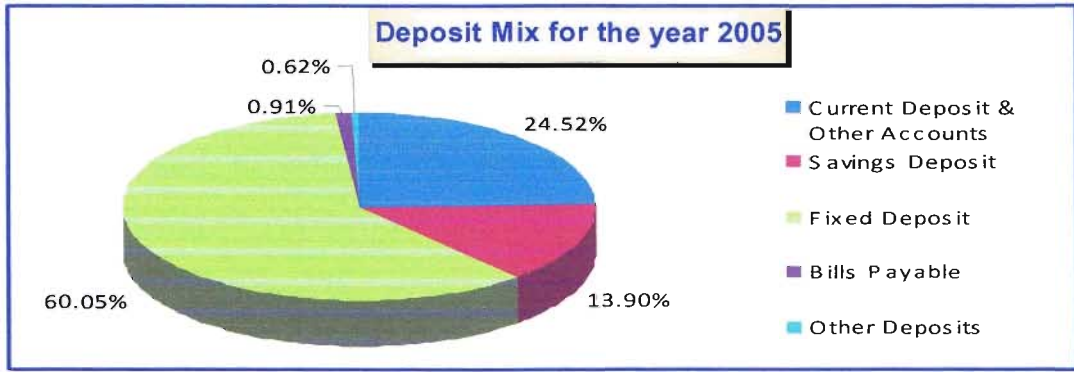
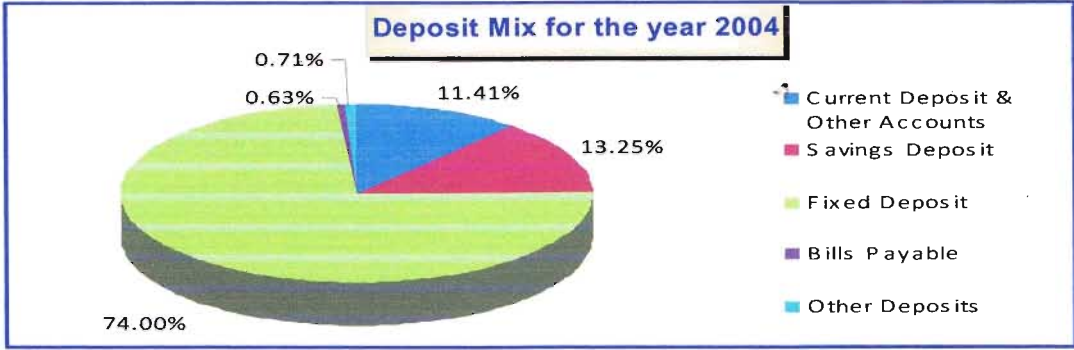
From the last five years data, we can find that the BRAC Bank's deposits mostly comprises of fixed deposits. In 2007 almost 84% of total deposits are in the form of fixed & savings while only 15% are in the form of current deposits. This deposits mix scenario is quite similar to that in the previous year.

**Table 4.4: Trend of Deposit Mix in the last five years**

(Figure in Million Tk.)

Deposit	2003	2004	2005	2006	2007
Current Deposit and Other accounts	421.31	931.97	3,288.53	3,060.29	5,543.60
Saving Deposit	607.00	1,082.60	1,863.76	2,936.58	3,985.56
Fixed Deposit	2,415.63	6,044.95	8,051.56	16,742.58	27,307.98
Bill Payable	27.59	51.62	122.59	113.75	464.65
Other Deposits	25.77	57.84	82.57	148.72	66.62
<b>Total Deposit</b>	<b>3,497.30</b>	<b>8,168.98</b>	<b>13,409.01</b>	<b>23,001.92</b>	<b>37368.41</b>



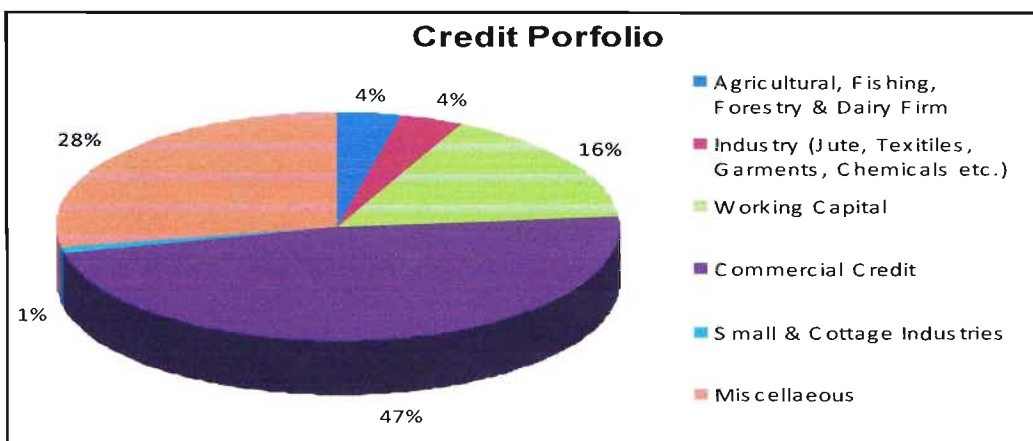
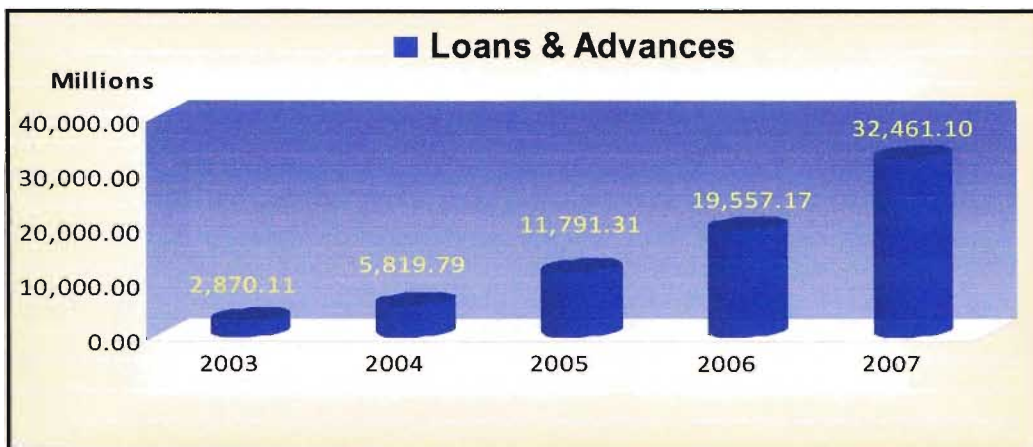


#### 4.5 Loan and Advance:

Total Loan and advances of BRAC Bank Ltd. stood at Tk.32,461.10 million in 2007 as against TK.19,557.17 million in 2006, i.e. an increase of 65.99% was achieved in this aspect. SME Sector, the main concentrated area for the bank since its inception, comprised of 58.58% of the total loans and advances in the year 2007.

**Table 4.5: Loans & Advances in the last five years**

Year	Loans & Advances (in million Tk.)
2003	2,870.11
2004	5,819.79
2005	11,791.31
2006	19,557.17
2007	32,461.10



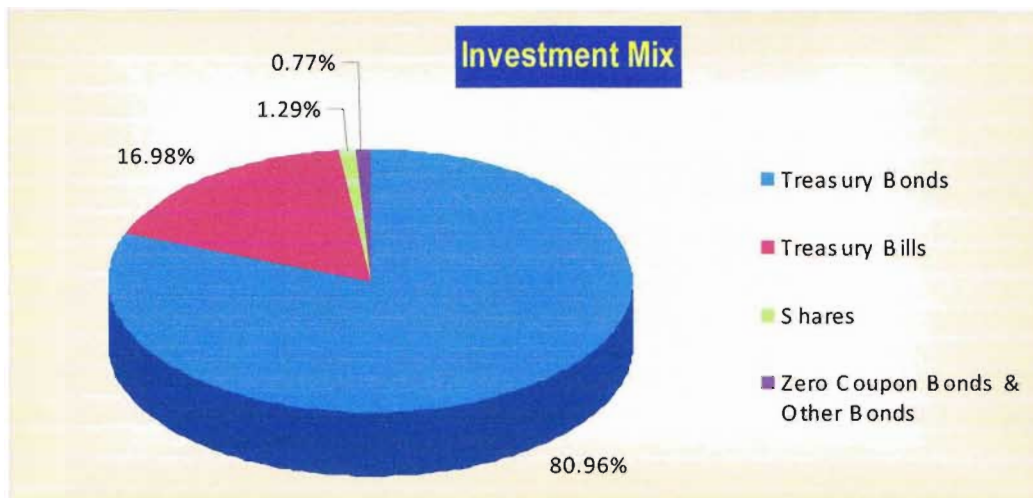


#### 4.6 Investment:

The Bank's investment, during the year 2007, were made mostly in government securities which stood at Tk.4,996.86 million as on December 31, 2007 as against Tk.3,768.01 million in 2006. Out of total investment, 97.94% is concentrated in Government Treasury Bills and Bonds to maintain CRR and SLR of the bank comfortably and to use of our surplus fund in a cost effective means.

**Table 4.6: Investment Mix as on 31<sup>st</sup> December 2007**

Area	Amount (Taka)	Percentage
Treasury Bonds	4,045,455,198	80.96%
Treasury Bills	848,466,270	16.98%
Shares	64,459,452	1.29%
Zero Coupon Bonds & other Bonds	38,475,797	0.77%
<b>Total Investment</b>	<b>4,996,856,717</b>	



#### 4.7 Operating Profit:

The Operating Income of BRAC Bank Ltd. increased by Tk.1468.82 million in the year 2007, while the Operating Expenses increased by Tk.573.73 million resulting in an increase of Tk.895.09 in the Operating Profit in 2007 i.e. a growth of 185.21% was achieved in 2007 in terms of the Operating Profit compared to the same of 2006 which is remarkable.

**Table 4.7: Operating Profit for the last five years**

(Figure in million Tk.)

Year	Operating Income	Operating Expenses	Operating Profit
2003	233.30	176.,74	56.56
2004	679.45	358.62	320.84
2005	1,173.32	593.00	580.32
2006	2,077.43	1,027.02	1,050.41
2007	3,546.25	1,600.75	1,945.50

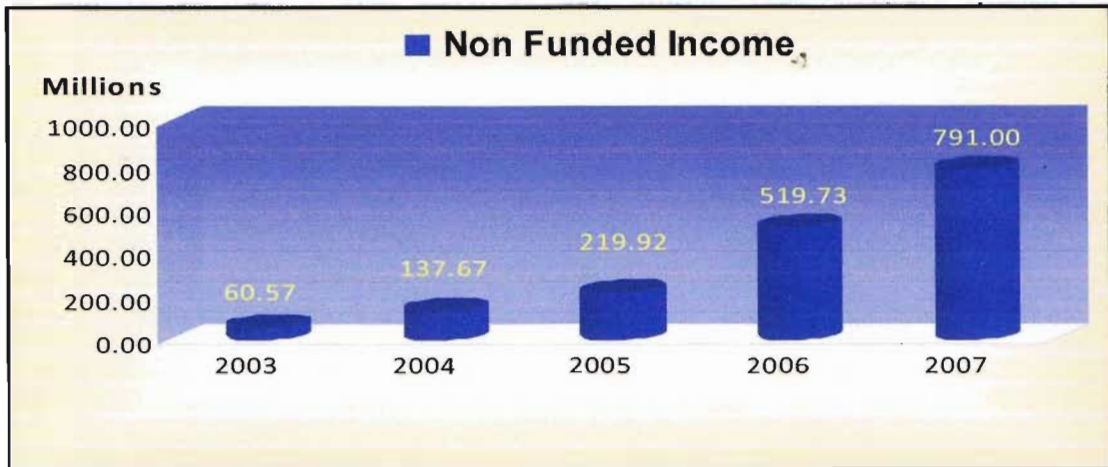


#### 4.8 Non Funded Income:

The Bank is focusing on to increase its non funded income and to reduce its burden ratio that resulted in 52.19% growth in 2007 over 2006. (Tk.791.00 million in 2007 against Tk.519.73 million in 2006).

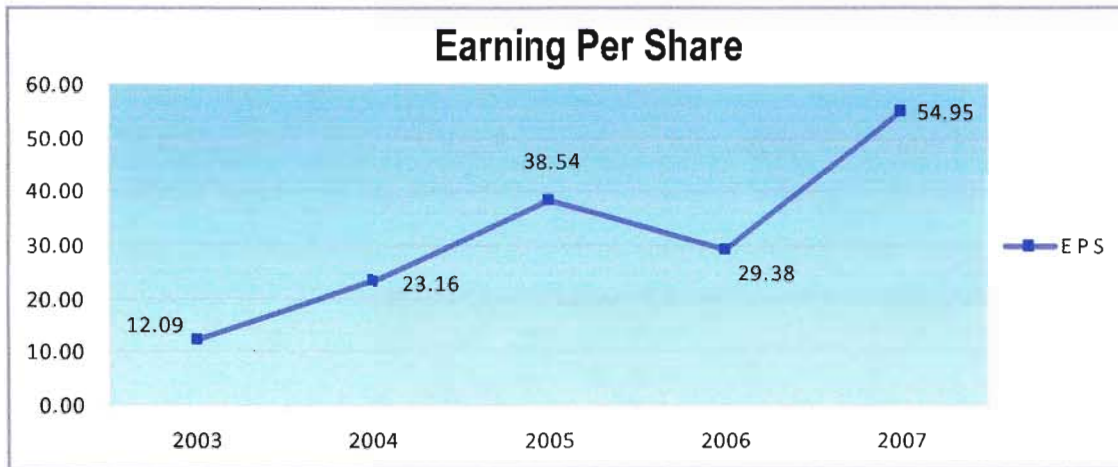
**Table 4.8: Non-Funded Income in the last five years**

Year	Non Funded Income (in Million Tk.)
2003	60.57
2004	137.67
2005	219.92
2006	519.73
2007	791.00



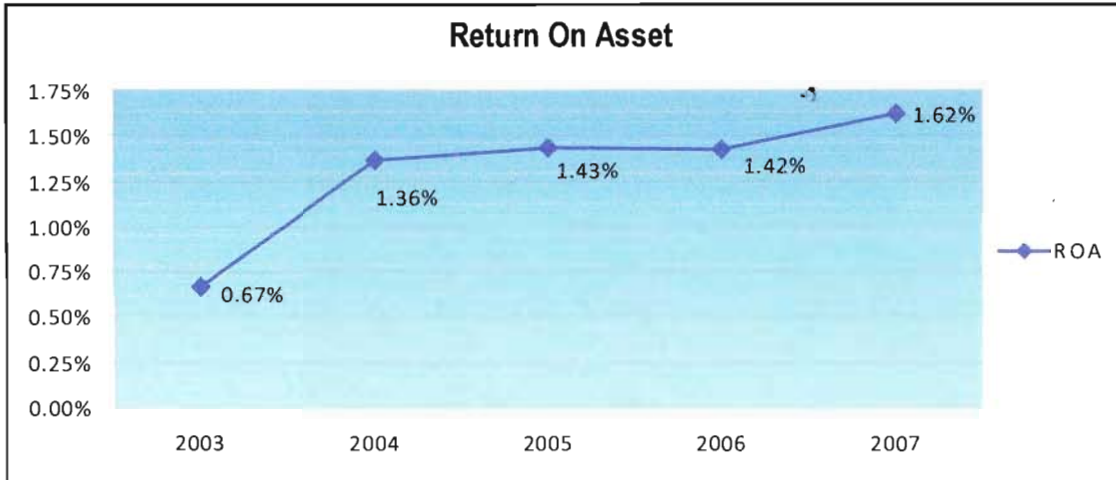
#### 4.9 Earning Per Share:

Earnings per share stood at Tk.54.95 as on December 31, 2007 compared to Tk.29.38 at the end of the previous year which is restated because of issuance of bonus shares during the year.



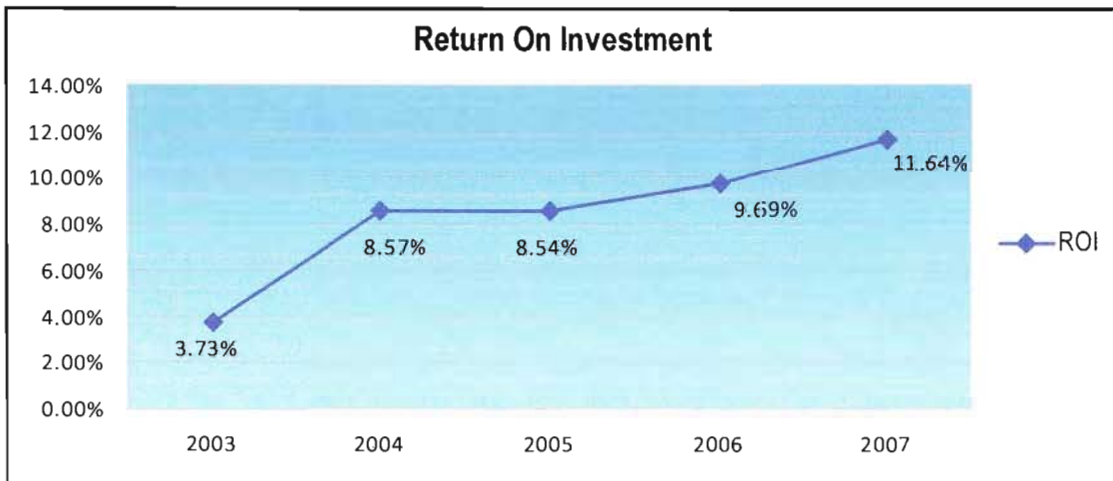
#### 4.10 Return on Asset (ROA):

BRAC Bank Ltd. has been maintaining a strong Return on Asset (ROA) ratio since 2004. A steady growth in terms of ROA can be found from the bank's performance in the last five years.



#### 4.11 Return on Investment (ROI):

Return on Investment stood at 11.64% as on December 31, 2007 compared to 9.69% at the end of the previous year. The growth in the ROI indicates that the bank's investment has increased.



## **Chapter – 5**

# **CAMEL Rating of BRAC Bank Limited**

## CAMEL Rating of BRAC Bank Limited

### 5.1 Introduction:

Financial institutions are supervised in most of the countries all over the world by their respective central banks with a view to protect the depositor's interest and ensure the financial soundness of the financial institutions. This supervision varies greatly from country to country, depending upon the type, character, size, and complexity of its financial system and its priorities and objectives. For effective supervision, the central bank rates all the commercial banks on the basis of On-site and Off-site inspection, which will reflect the financial soundness of the particular bank as a whole. Thus a uniform rating system is necessary that will provide a general framework to arrive at a composite supervisory rating by evaluating and assimilating all the financial variables.

Camel rating is one of the significant monitoring regulations used all over the world. Bangladesh Bank, as an off-site supervision tool, introduced CAMEL rating in Bangladesh.

It is not merely a rating by Central Bank but also indicates to take initiatives for situation demands and emphasize on the areas, which should be considered as important one and which area should be considered for development.

Introduction to the CAMEL rating system was very much essential for the following reasons:

- ✚ In evaluating or “rating” a bank, it is important that a standard system be used so that all bank supervisors can look at it in the same way.
- ✚ With a clear rating system, everyone from the Governor to the newest staff member in bank supervision can quickly understand the financial condition of a bank by learning its rating.
- ✚ However, such a system needs to take into account the entire financial aspect which is important to a bank’s soundness.

- ✚ This rating system takes into account all the major components of bank's soundness. Thus learning this system details serve as a method of teaching financial analysis of banks.
- ✚ As this system is clear and most of its concepts are easily understood even by those not highly trained in bank's supervision. Many supervisory authorities in developing countries are now using this system for rating their banks.

## 5.2 CAMEL Rating process:

CAMEL stands for:

- C- Capital Adequacy,
- A- Asset Quality,
- M- Management,
- E- Earnings,
- L- Liquidity

CAMEL rating has some formula and standard level of values for each measure for rating the bank's performance as strong, satisfactory, fair, marginal and unsatisfactory. The rating formulas with its standards are given below:

### 5.2.1 Capital Rating:

The main objective of this ratio is to find out the proportion of capital and reserve to the risky assets that mean the capacity of a bank to cover the risk. Banks have to maintain 9% of total risk weighted assets as capital and reserves with at least 4.5% in Tier-1 capital.

$$\text{Capital Adequacy} = \frac{\text{Capital and Reserves (Adjusted)}}{\text{Total Risk Weighted Assets}} \times 100$$

Adjusted Capital and Reserves = Total Book Capital Account Less any shortfall in Provision requirement.

Table 5.1: Capital Rating

Rating	Description	Percentage
1	Strong	9% and above
2	Satisfactory	8.00% to 8.99%
3	Fair	7.00% to 7.99%
4	Marginal	5.00% to 6.99%
5	Unsatisfactory	4.99% and below

### 5.2.2 Asset Quality Rating:

Asset Quality Rating is the ratio between classified loans and total loans. This ratio shows an inverse relation unlike Capital Adequacy. Because the lesser the amount of classified loans the better the position of asset quality. Loans and Advances are the assets of a bank. Classified loans hamper not only the profit but also lessen the total assets of a bank. A higher amount of classified loans indicate the inefficiency in management and causes a bank to keep higher amount of its fund unutilized as they are kept aside as provision. So the lower the Asset Quality Ratio, the higher the bank's performing loans.

$$\text{Asset Quality} = \frac{\text{Classified Loans}}{\text{Total Loans}} \times 100$$

Table 5.2: Asset Quality Rating:

Rating	Description	Percentage
1	Strong	Up to 5%
2	Satisfactory	5.01% to 10.00%
3	Fair	10.01% to 15.00%
4	Marginal	15.01% to 20.00%
5	Unsatisfactory	Above 20.00%

### 5.2.3 Management Rating:

Management is the composition of capital adequacy, asset quality, earnings and liquidity position. The average position of these four components represents the management quality of a bank.



$$\text{Management quality} = C+A+E+L/4 \times 100$$

Table 5.3: Management Rating:

Rating	Description	Percentage
1	Strong	1.00 to 1.49
2	Satisfactory	1.50 to 2.49
3	Fair	2.50 to 3.49
4	Marginal	3.50 to 4.49
5	Unsatisfactory	4.50 to 5.00

### 5.2.4 Earning Rating:

Earning ratio is the ratio between net income and total assets. It measures that how much the bank earns utilizing its total asset. If earning is higher then bank is certainly in good position.

$$\text{Earning ratio} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100$$

Table 5.4: Earnings or Return on Assets Rating:

Rating	Description	Percentage
1	Strong	0.85% and above
2	Satisfactory	0.65% to 0.84%
3	Fair	0.45% to 0.64%
4	Marginal	Below 0.45%
5	Unsatisfactory	Net losses

### 5.2.5 Liquidity Rating:

Liquidity is one of most important decision part in a bank. Because if a bank has not enough liquid money then it will not be able to meet up the public demand which in result deposit position may be deemed. So banks have to maintain a good amount of liquid money to meet up the public demand.

$$\text{Liquidity} = \frac{\text{Liquid Assets}}{\text{Total Time and Demand Deposit}} \times 100$$

Table 5.5: Liquidity Rating:

Rating	Description	Percentage
1	Strong	30.00% and above
2	Satisfactory	20.00% to 29.99%
3	Fair	19.00% to 19.99%
4	Marginal	15.00% to 18.99%
5	Unsatisfactory	Below 15.00%

### 5.2.6 Composite Rating:

Composite rating is the average of all ratings i.e.  $\text{Composite} = \frac{C+A+M+E+L}{5}$

Table 5.6: Composite Rating:

Rating	Description	Percentage
1	Strong	1.00 to 1.49
2	Satisfactory	1.50 to 2.49
3	Fair	2.50 to 3.49
4	Marginal	3.50 to 4.49
5	Unsatisfactory	4.50 to 5.00

The meaning of the composite rating from the financial soundness and associated supervisory concern point of view under CAMEL rating is briefly noted as below

#### **Meaning of Component Rating:**

Composite "1" Rating:

- Basically sound in every respect
- Findings are of minor nature, handle routinely
- Resistant to external economic and financial disturbances
- No cause of supervisory concern.

Composite "2" Rating:

- Fundamentally sound
- Findings are of minor nature, can be handled routinely
- Withstand business fluctuation.
- Supervisory concerns are limited.

**Composite “3” Rating:**

- Financial and operational weakness ranging from moderately severe to unsatisfactory,
- Vulnerable to the Onset of Adverse Business Conditions
- Easily deteriorate if actions are not effective in correcting weakness.
- Supervisory concern and more than normal supervision to address deficiencies.

**Composite “4” Rating:**

- Immoderate volume of serious financial weakness
- Unsafe and unsound conditions may exist which are not being satisfactorily addressed.
- Without corrections these conditions could develop further and impair future viability.
- High potential for failure
- Close supervision surveillance and the definite plan for correcting deficiencies.

**Composite “5” Rating:**

- High immediate or near term probability of failure
- Severity of weakness is so critical that urgent aid from stock holders or other financial sources is necessary
- Without immediate corrective actions will likely require liquidation, merger or acquisition

### 5.3 Measuring CAMEL Rating ratios for BRAC Bank Ltd.

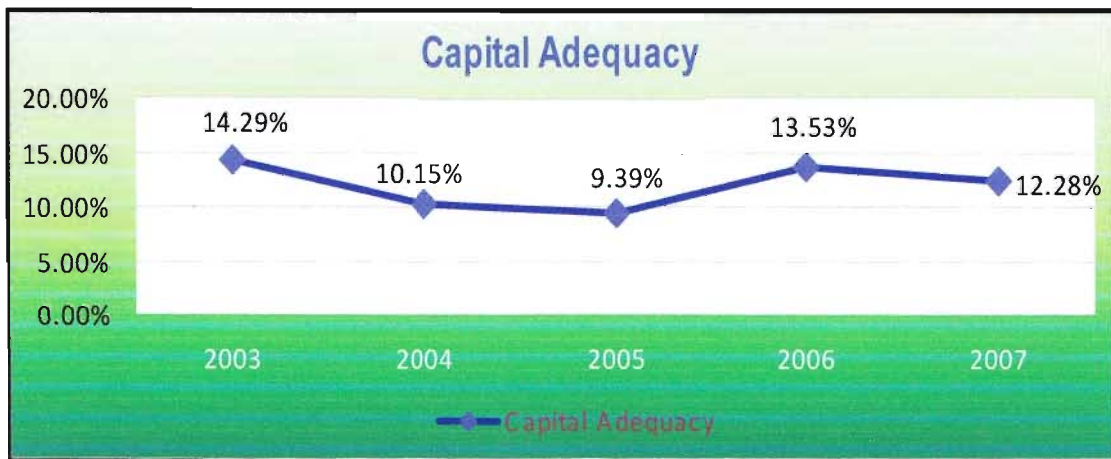
The CAMEL Rating for BRAC Bank Limited for the last five years have been calculated below following the standard procedures on the basis of financial information and ratios collected from the Annual Reports of the bank.

#### 5.3.1 Capital Rating of BRAC Bank Ltd.:

The Capital Rating of BRAC Bank Limited for the year 2007 shows that it has adequate Capital & Reserves to cover its Risk Weighted Assets. Below the capital rating of BRAC Bank Ltd. for the last five years has been given.

**Table 5.7: Capital Rating from 2003 to 2007**

Years	2003	2004	2005	2006	2007
Capital Adequacy Ratio	14.29%	10.15%	9.39%	13.53%	12.28%
Rating	1	1	1	1	1
Description	Strong	Strong	Strong	Strong	Strong



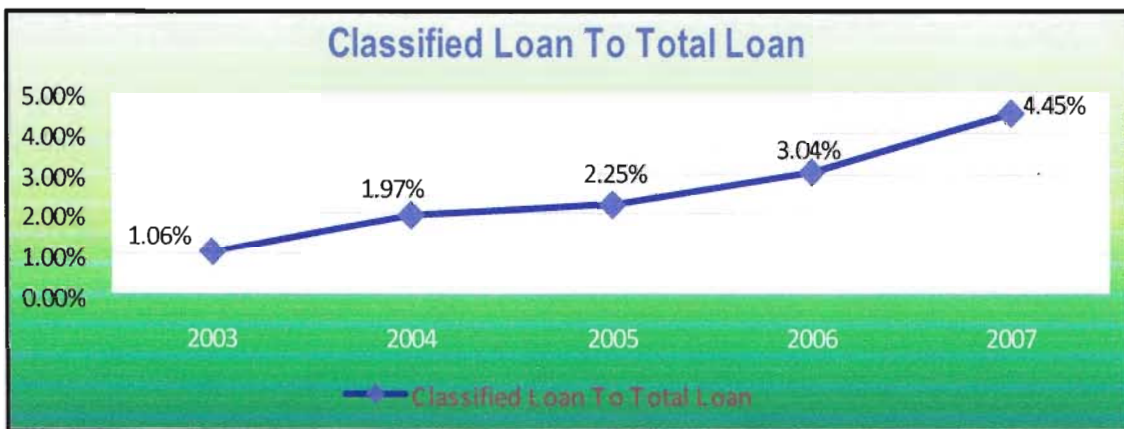
The above data shows a declining trend over 2003 to 2005 years. Then in 2006, the capital adequacy increased a significant amount. Again in 2007 the capital adequacy falls down a little bit. But still the bank held a strong position in terms of Capital Rating.

### 5.3.2 Asset Quality Rating of BRAC Bank Ltd.:

This ratio measures the portion of total loan being classified. Last four year's Asset Quality Position of BARC Bank Ltd. is given below:

**Table 5.8: Asset Quality Rating from 2003 to 2007**

Years	2003	2004	2005	2006	2007
Classified loan to total loan	1.06%	1.97%	2.25%	3.04%	4.45%
Rating	1	1	1	1	1
Description	Strong	Strong	Strong	Strong	Strong



BRAC Bank Ltd. shows a very strong asset quality for all the years as it contains low figure of classified loans. So this Bank can be said well asset quality according to the international standard.

### 5.3.3 Management Rating of BRAC Bank Ltd.:

Management rating in CAMEL is actually the composite reflection of the other four ratios. It is just the arithmetic mean of Capital rating, Asset Quality Rating, Earning Ratings, Liquidity Rating. The performance of the bank shown by the other ratios will reflect the performance of the management.

The Management Ratings of BRAC Bank Ltd. for the last five years is shows that the overall management of the bank is strong.

**Table 5.9: Management Rating from 2003 to 2007**

Years	2003	2004	2005	2006	2007
(C+A+E+L)/4	1.25	1	1.25	1.25	1
Rating	1	1	1	1	1
Description	Strong	Strong	Strong	Strong	Strong

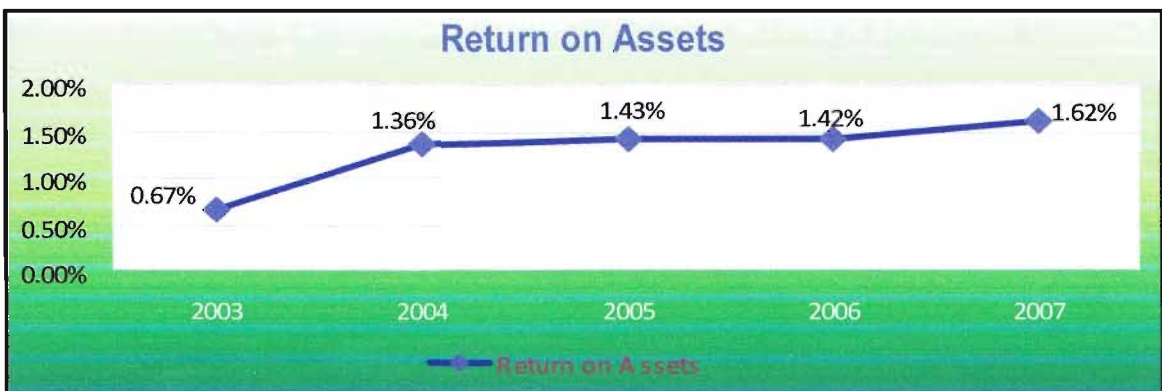


#### 5.3.4 Earning Ratings of BRAC Bank Ltd.:

Earning Rating i.e. Return on Assets (ROA) indicates how many times the bank earns against its total asset. Below we can see the ROA of BRAC Bank Ltd.

**Table 5.10: Earning Rating from 2003 to 2007**

Years	2003	2004	2005	2006	2007
Return on Assets	0.67%	1.36%	1.43%	1.42%	1.62%
Rating	2	1	1	1	1
Description	Satisfactory	Strong	Strong	Strong	Strong



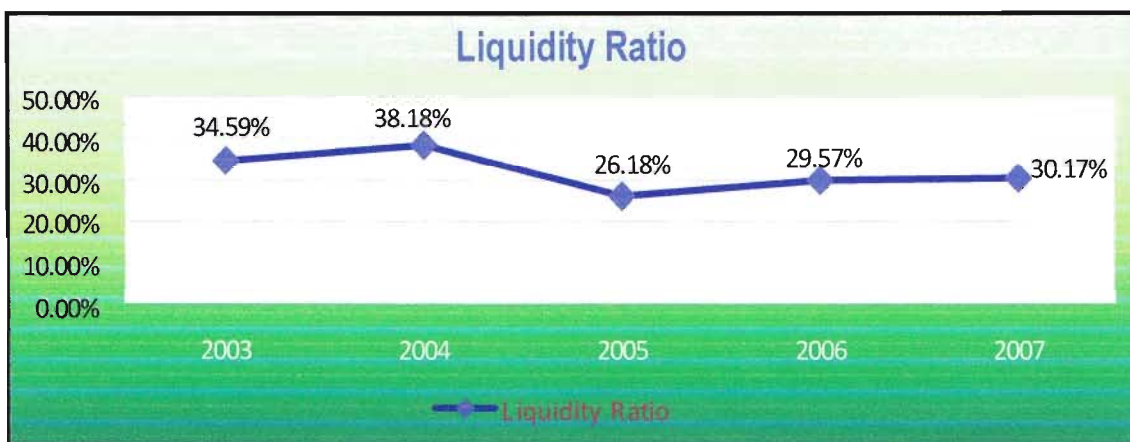
The above figures show that BRAC Bank Limited has been maintaining a strong level of earnings ratings for the last five years which is a certainly appreciable.

### 5.3.5 Liquidity Rating of BRAC Bank Ltd.:

Liquidity ratio indicates to what extend a bank is able to meet the demand of its depositors. The Liquidity ratios of BRAC Bank Ltd. for the last five years are:

**Table 5.11: Liquidity Rating from 2003 to 2007**

Years	2003	2004	2005	2006	2007
Liquidity ratio	34.59%	38.18%	26.18%	29.57%	30.17%
Rating	1	1	2	2	1
Description	Strong	Strong	Satisfactory	Satisfactory	Strong



From the above ratings we can see that liquidity of BRAC Bank Ltd. was strong in 2003 and 2004. But it went down in 2005, yet the ratio was satisfactory. Again the liquidity started to improve in 2006, though the ratio was still in satisfactory limit. In 2007, BRAC Bank again came in a strong position in terms of Liquidity Rating.

### 5.3.6 Composite rating of BRAC Bank Ltd.:

Composite rating is the combined reflection of the ratings of all five ratios of CAMEL rating. For last few years BRAC Bank Ltd. has been showing a Strong level of Composite rating. The Composite rating of BRAC Bank Ltd. for the year 2003 to 2007 has been calculated in the following table:

**Table 5.12: Composite Rating from 2003 to 2007**

Years	2003	2004	2005	2006	2007
C	1	1	1	1	1
A	1	1	1	1	1
M	1	1	1	1	1
E	2	1	1	1	1
L	1	1	2	2	1
Composite	1.2	1	1.2	1.2	1
Rating	1	1	1	1	1
Description	Strong	Strong	Strong	Strong	Strong

Strong level of Composite rating means that BRAC Bank Limited is fundamentally sound and is being efficiently operated. The few findings are of minor nature and can be handled routinely. It also indicates that in supervisory concerns is not necessary in BRAC Bank Ltd. The Management of the bank should work hard to hold this performance in the upcoming years.



-3

**Chapter - 6**  
**Comparative Performance of**  
**BRAC Bank Limited**

## Comparative Performance of BRAC Bank Limited

In the previous chapter the overall performance of BRAC Bank Limited was appraised in terms of the bank's internal financial parameters. This chapter will focus on the comparative performance of BRAC Bank Limited (BBL) with two other banks: Mercantile Bank Limited (MBL) and Southeast Bank Limited (SBL). MBL and SBL have been chosen as they are in the same grade (B Grade) with BBL in the last year's CAMEL Rating. Availability of financial data also played an important role in this selection. Some important financial information of these three banks for the year 2007 has been compared below to get a comparative picture:

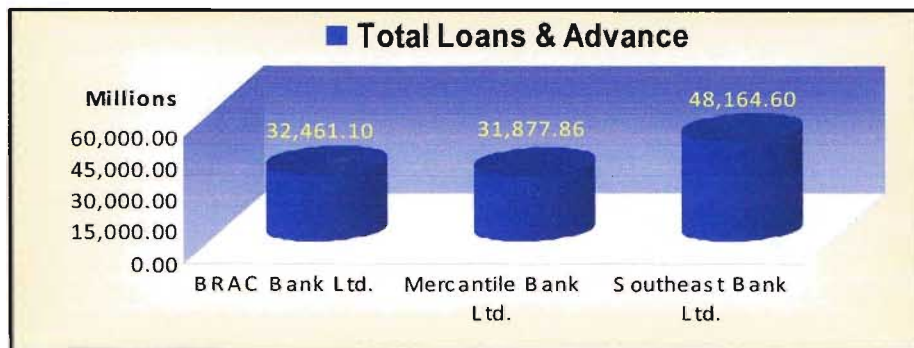
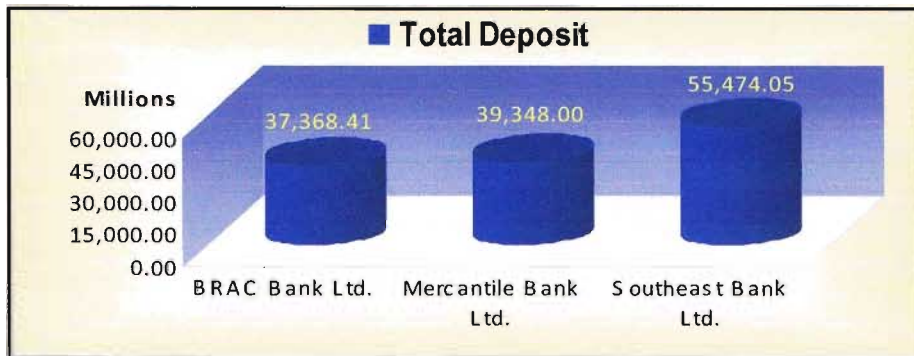
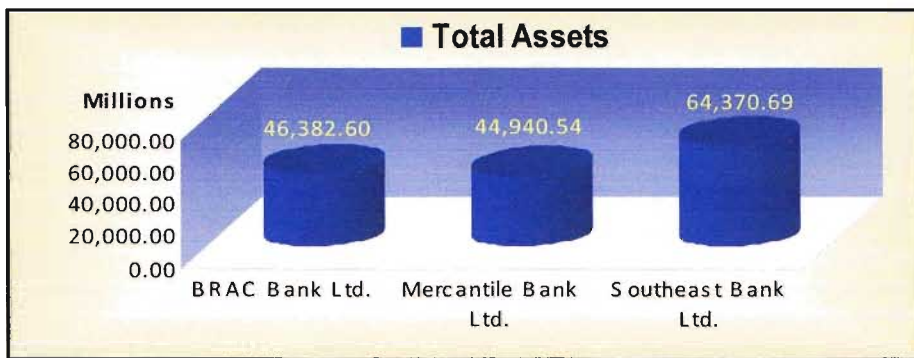
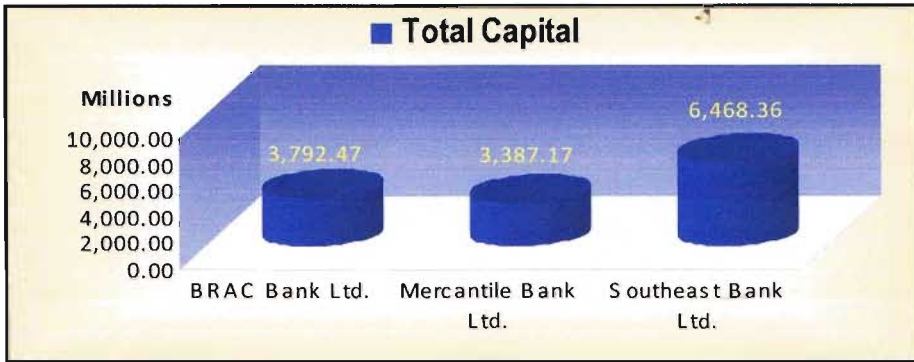
(Figure in million)

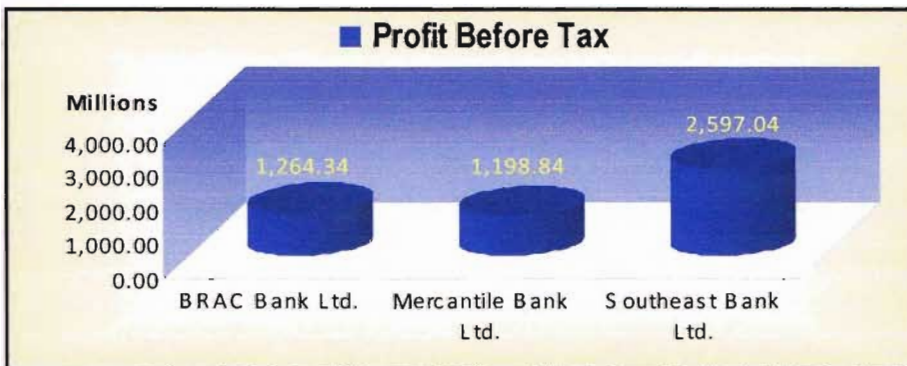
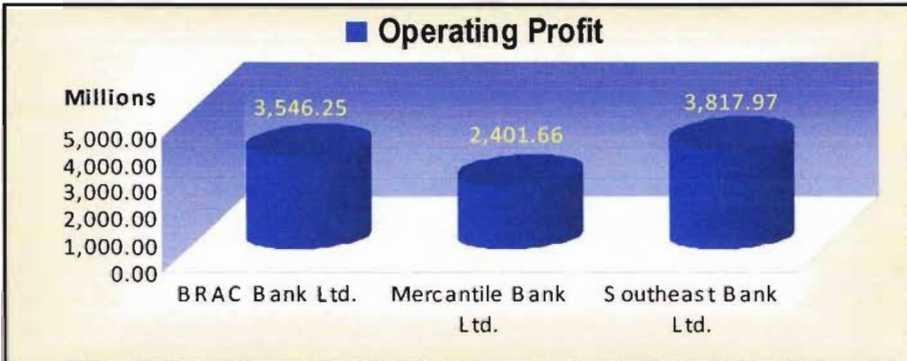
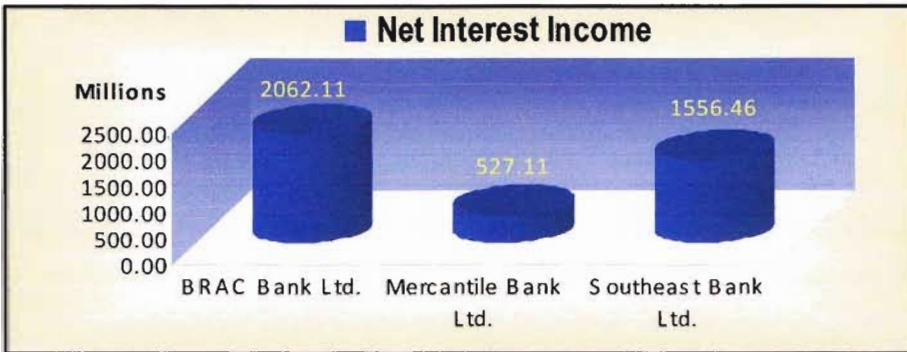
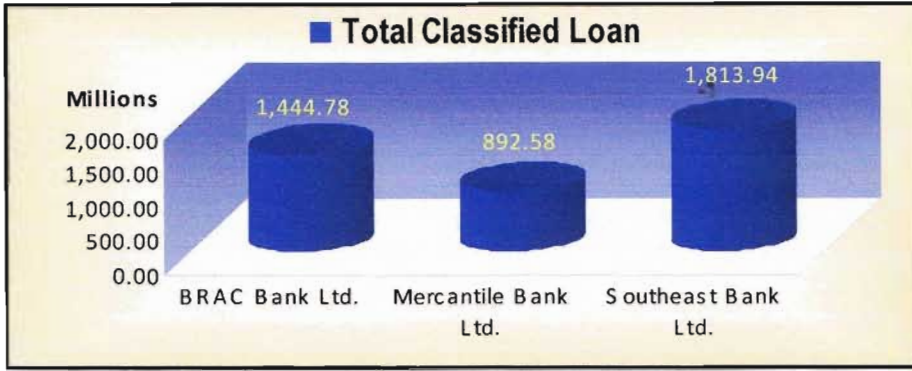
Particulars	BRAC Bank Ltd.	Mercantile Bank Ltd.	Southeast Bank Ltd.
Total Capital	3,792.47	3,387.17	6,468.36
Total Assets	46,382.60	44,940.54	64,370.69
Total Deposit	37,368.41	39,348.00	55,474.05
Total Loan & Advance	32,461.10	31,877.86	48,164.60
Total Classified Loan	1,444.78	893.99	1,813.94
Interest Income	4,633.35	3,686.41	6,408.96
Interest Expense	2,571.24	3,159.30	4,852.50
Operating Profit	3,546.25	2,401.66	3,817.97
Profit Before Tax	1,264.34	1,198.84	2,597.04

### Important Ratios:

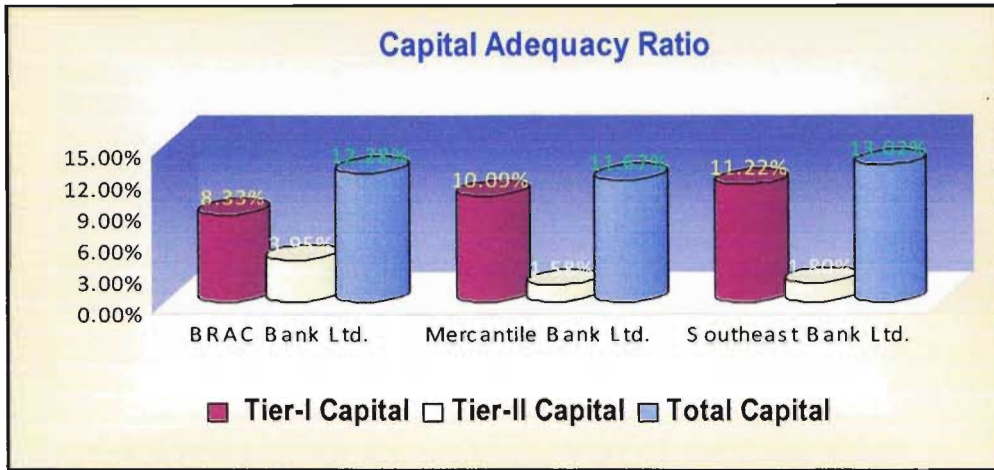
Ratio	BRAC Bank Ltd.	Mercantile Bank Ltd.	Southeast Bank Ltd.
Capital Adequacy Ratio	12.28%	11.67%	13.02%
Return on Assets (ROA)	1.62%	1.32%	1.90%
Total Loan to Total Deposit	86.87%	81.02%	86.82%
Total Loan to Total Assets	69.99%	70.93%	74.82%
Classified Loan to Total Loan	4.45%	2.80%	3.77%
Classified Loan to Total Assets	3.11%	1.99%	2.82%
Earning Per Share (EPS)	54.95	36.06	53.60

6.1 Comparative Graphical Representation:

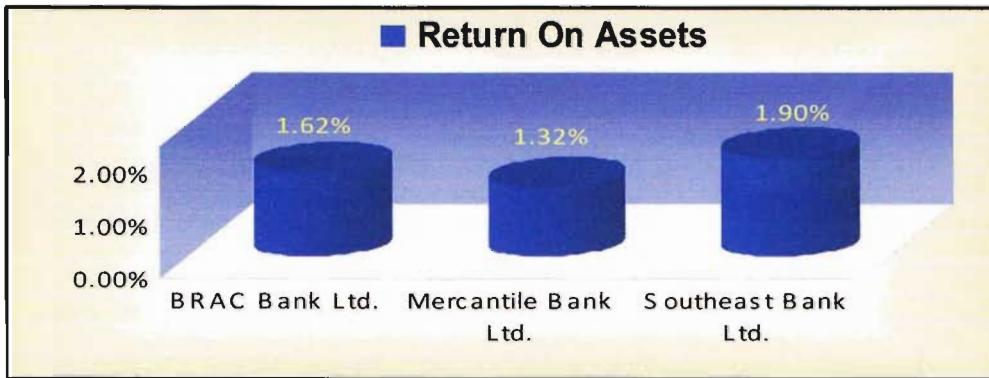




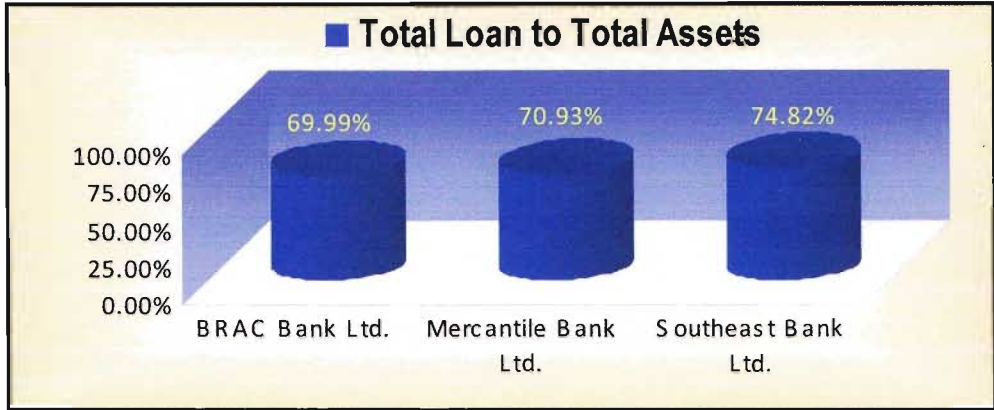
6.2 Comparative Ratio Analysis:



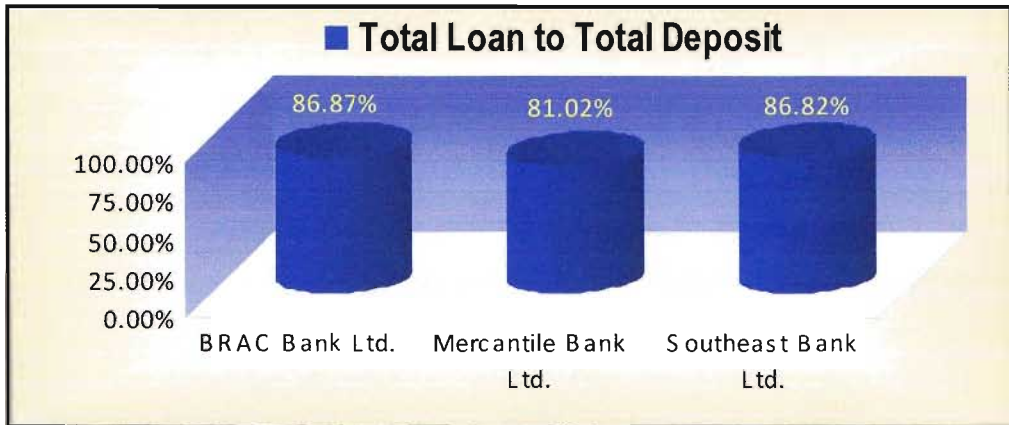
In the year 2007 all the three banks had adequate capital base compared to the minimum total capital requirement of 9.00%. Among the three banks, Southeast Bank Ltd. had the highest capital adequacy in terms of the total capital. But if the capital adequacy is calculated more precisely, then we can find that Southeast Bank Ltd. had the highest capital adequacy in terms of Tier-I Capital among the three banks, while BRAC Bank Ltd. had the highest capital adequacy in terms of Tier-II Capital.



All the three banks Earnings Ratio was strong in the year 2007. Among the three banks, Southeast Bank Ltd. had the highest return by utilizing its assets. BRAC Bank Ltd. also had a strong Earnings Ratio which can be improved by increasing the Net Operating Income or by reducing the amount of provision kept against non-performing loans through strong credit management.



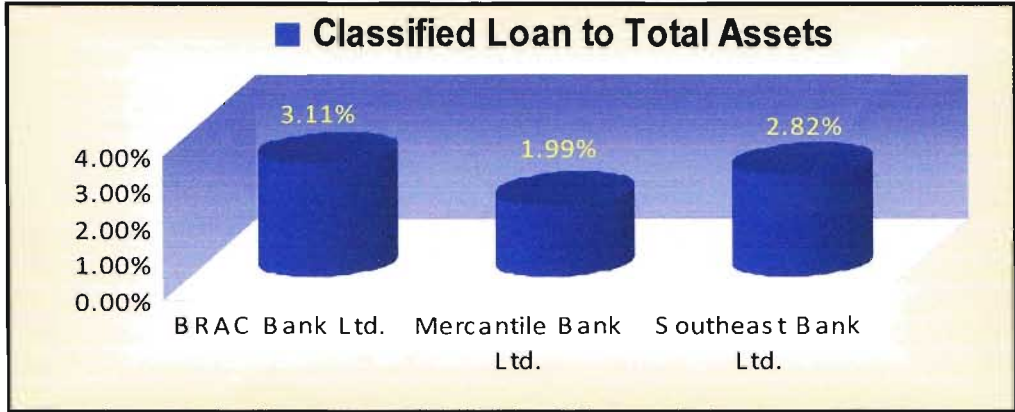
Total Loans & Advances was the major element of the Total Assets column for each of the three banks in the year 2007. Though Loans & Advances carry high risk of non-repayment, yet all the commercial banks concentrate more on disbursing loans & advances and less on making investments or procuring fixed assets to increase the profitability.



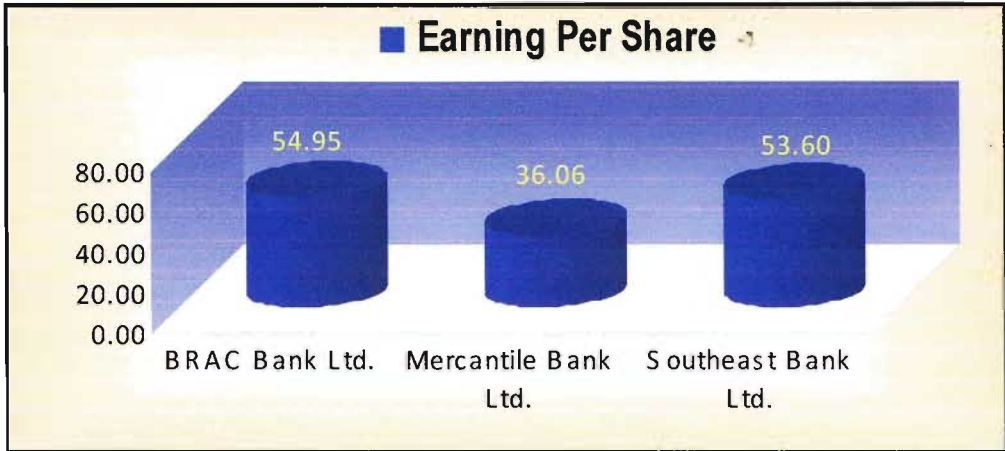
Banks have to pay interest for the deposit collected from various sources. Therefore they try to earn maximum profit by utilizing these funds in the form of investment or loans & advances. The more a bank can utilize its loanable fund, the more the profitability increases. In the year 2007, BRAC Bank Ltd. disbursed highest amount of loans & advances against the deposit collected compared to the other two banks.



Classified loans reduce a bank's profitability as the bank does not receive any income from the classified loans, but has to pay the cost of fund for the stuck-up loan. Also provision has to be kept against classified loans which also reduce the net income. In the year 2007, the percentage of classified loan against the total loan was higher in BRAC Bank Ltd. in compared to the other two banks. Though it was below the standard margin of 5.00%, BRAC Bank Ltd. should seriously concentrate on its asset quality as it is affecting the overall profitability of the bank. As BRAC Bank Ltd. disburses unsecured SME loan, therefore it always carries a high risk of non-repayment. But yet the bank management should develop a more efficient credit monitoring system to reduce the classified loans.



This ratio shows the total percentage of non-performing assets of a bank. The lower this ratio comes, the higher the earning will come from a bank's asset. As BRAC Bank Ltd. shows a higher ratio in this field, it means that BRAC Bank had more non-performing assets in comparison to other two banks.



Inspite of having the higher percentage of non-performing assets, BRAC Bank Ltd. ended the year 2007 with highest amount of Earning Per Share compared to Mercantile Bank Ltd. and Southeast Bank Ltd. If BRAC Bank can improve its asset quality i.e. reduce its non-performing loans, then it can certainly earn more profit in the next years.



-3

## **Chapter - 7**

# **Findings, Recommendations & Conclusion**

## Findings, Recommendation & Conclusion

### 7.1 Findings of the Report:

From my personal observation during my internship period at BRAC Bank Limited and by analyzing the information collected from various sources, I found out some strong areas of BRAC Bank Ltd. as well as few areas of concern that are needed to be closely monitored. The summary of these findings are listed below:

#### 7.1.1 Strong Areas of BRAC Bank Ltd.:

- BRAC Bank Ltd. has a strong corporate image and identity that helped it to build up a strong customer base.
- It has a distinct operating procedure with a strategy of satisfying customer needs as well as remaining profitable.
- BRAC Bank provides hassle free customer service to its client base comparing to the other financial institutions of Bangladesh. Personalized approach to the needs of customers is its motto.
- BRAC Bank offers various types of Corporate and Retail Banking Products and Services with distinct quality.
- Among all the Private Commercial Banks BRAC Bank Ltd. was the first to launch special banking services to Small and Medium Enterprises of Bangladesh.
- The human resource of BRAC Bank Ltd. is extremely well thought & perfectly managed.
- The empowered environment makes BRAC Bank a better place for the employees. The employees are not suffocated with authority but are able to grow as the organization mature.
- The working environment in BRAC Bank Ltd. is very easy and friendly where all employees work as a big team towards achieving the target.

- Communication barriers & structural bureaucracies are strongly avoided in BRAC Bank Ltd. The little existence of authoritative barriers among the different level of management stimulates a feeling of importance as their work gets priority over the position.
- BRAC Bank Ltd. owns the best banking and information technology equipments & software in Bangladesh. Its ultra modern banking systems starting from terminal PC's to hub's are based on the international banking standards and are the latest.

### 7.1.2 Areas of Concern for BRAC Bank Ltd.:

- The Banking Sector in Bangladesh is becoming highly competitive day by day. There are already some Private Commercial Banks and Foreign Banks which are performing very well. Also possibility of new banks to come in the competition has to be considered.
- Loans and Advances always carry the risk of non-repayment. Moreover, BRAC Bank Ltd. offers SME Loans without security or with low security coverage, which increases the probability of non-repayment of the loans and risk of loans being classified.
- Though BRAC Bank Ltd. offers various types of loan and deposit products, yet the bank's offering lack behind of the versatile offerings of some of the leading PCBs and Foreign Banks.
- BRAC Bank has already gained a reputation as SME Banker in Bangladesh, but its retail banking products are not yet that much familiar to common people in comparison to some other banks.
- The workforce of BRAC Bank Ltd. is selected very carefully. But the bank has a large number of employees who are working as "Contractual". These employees may consider themselves deprived as they put the same effort like the permanent employees but get lower salary package.
- Like all other banks, BRAC Bank Ltd. has to be concerned about changes in external variables like rules & regulations, economy, environment etc.

## 7.2 Recommendation:

BRAC Bank Limited can use the following recommendations for improvement of their service quality at the same time to increase their profitability.

- BRAC Bank Limited has to continuously improve its service quality to compete with the leading PCBs and Foreign Banks. The bank has to adopt new banking software and establish a secured banking network for prompt yet secured banking services.
- As BRAC Bank is offering SME Loans without security or with low security coverage; therefore they have to build an effective credit monitoring system. The CROs in the field level have to regularly supervise these loans and ensure the recovery. Also provision has to be kept as per the regulations stipulated by Bangladesh Bank to face the unwanted classification of loans.
- Though BRAC Bank's major concern is serving the Small and Medium Enterprises of Bangladesh, but the bank has to also upgrade their corporate and retail banking products and services to match with the ever changing demand of these focus groups. Now-a-days various banks are offering various types of customized banking products targeting some market niches. BRAC Bank has to adopt proper strategies to cope with these changes.
- BRAC Bank Limited has earned good reputation as SME Bankers, but at the same time questions are being asked about their interest rate charged against these loans. As the SME Sector comprises people with low net worth, higher interest rate can become burden on them and ultimately it can result in non-repayment of the loan that will adversely affect the bank's profitability.
- Though BRAC Bank Ltd. is involved in various social activities and campaigns, but the bank's direct promotional activities in the mass medias should be boosted up highlighting not only SME Banking Services, but also other banking services offered by them.
- The bank can improve the salary package offered to the contractual employees working hard for the bank. Also contract period can be reduced to include them in the permanent work force of the bank.

### 7.3 Conclusion:

BRAC Bank Limited is one of the most potential Banks in the banking sector. It has a large portfolio with huge assets to meet up its liabilities and management of this bank is equipped with the expert bankers and managers in all level of management. Till now, the overall performance of the bank is appreciable. In this report BRAC Bank's various financial parameters were analyzed by comparing to some benchmarks and by CAMEL Rating and the result proved that the bank's financial base is strong. Also the performance of BRAC Bank in comparison to two other similar grade banks – Mercantile Bank Ltd. and Southeast Bank Ltd. is satisfactory.

BRAC Bank Ltd. has highly qualified and skilled workforce who are working as a team to serve their customers efficiently and to increase the profitability of the bank. The bank is well equipped with modern technologies for prompt and secured service. BRAC Bank Ltd. has already adopted highly sophisticated banking software and built a strong network among the branches and unit offices across the country.

BRAC Bank Limited is one of those organizations that not only starve for profit maximization, but also is aware of social responsibilities.

BRAC Bank Ltd. has already earned good reputation for their banking services to the SME Sector in Bangladesh. Now, the bank needs to upgrade their other services to expand its customer base as well as the profitability. It can be expected that with its dedicated management and innovative banking, BRAC Bank Ltd. have a great prospect of getting into the category of leading banks in Bangladesh in the upcoming days.

## **Bibliography:**

### **Sources of Information:**

1. Primary data: Interview of the employees of BRAC Bank
2. Secondary data:
  - Annual Report and circulars of BRAC Bank Ltd.
  - [www.bracbank.com](http://www.bracbank.com)
  - [www.mblbd.com](http://www.mblbd.com)
  - [www.sebankbd.com](http://www.sebankbd.com)
  - [www.weeklyindustry.com](http://www.weeklyindustry.com)
  - [www.bangladeshbank.org.bd](http://www.bangladeshbank.org.bd)
  - CAMEL Rating System by M. A. Karim